

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Chester School District
Board of Education
Chester, New Jersey**

For the Fiscal Year Ended June 30, 2012

Prepared by

**Chester School District
Board of Education
Finance Department**

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	1-4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7
Certificate of Excellence in Financial Reporting	8
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedules of Expenditures of Federal Awards and State Financial Assistance	11-12
REQUIRED SUPPLEMENTARY INFORMATION – PART I	
Management's Discussion and Analysis (Unaudited)	14-21
BASIC FINANCIAL STATEMENTS	
A. Government – wide Financial Statements:	
A-1 Statement of Net Assets	24
A-2 Statement of Activities	25
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	28
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	29
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Proprietary Funds:	
B-4 Statement of Net Assets	32
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	33
B-6 Statement of Cash Flows	34
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	36
B-8 Statement of Changes in Fiduciary Net Assets	37
NOTES TO BASIC FINANCIAL STATEMENTS	39-60

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION – PART II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	63-66
C-1b Education Jobs Fund Program-Budget and Actual	67
C-2 Budgetary Comparison Schedule – Special Revenue Fund	68
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	
C-3 Budget to GAAP Reconciliation	70
OTHER SUPPLEMENTARY INFORMATION	
D. School Level Schedules: Fund Financial Statements:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type-Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	74-77
E-2 Schedule of Preschool Education Aid Expenditures - Preschool – All Programs – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	79
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis	80
F-2a-k Schedule of Project Revenues, Expenditures and Project Balances and Project Status – Budgetary Basis	81-91
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Combining Statement of Cash Flows	N/A

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION –PART II (CONTINUED)	
G. Proprietary Funds:	
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Fund	
H-1 Combining Statement of Fiduciary Net Assets	N/A
H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	97
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	98
I. Long – Term Debt	
I-1 Schedule of Serial Bonds	100
I-2 Schedule of Obligation Under Capital Leases	101
I-3 Debt Service Fund Budgetary Comparison Schedule	102
STATISTICAL SECTION (UNAUDITED)	
J. Financial Trends:	
J-1 Net Assets by Component	104
J-2 Changes in Net Assets	105-106
J-3 Fund Balances – Governmental Funds	107
J-4 Changes in Fund Balances – Governmental Funds	108-109
J-5 General Fund – Other Local Revenue by Source	110
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	111
J-7 Direct and Overlapping Property Tax Rates	112
J-8 Principal Property Taxpayers	113
J-9 Property Tax Levies and Collections	114
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	115
J-11 Ratios of Net General Bonded Debt Outstanding	116
J-12 Direct and Overlapping Governmental Activities Debt	117
J-13 Legal Debt Margin Information	118
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	119
J-15 Principal Employers	120

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

TABLE OF CONTENTS
CONCLUDED

STATISTICAL SECTION (UNAUDITED) (Continued)

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program	121
J-17 Operating Statistics	122
J-18 School Building Information	123
J-19 Schedule of Required Maintenance for School Facilities	124
J-20 Insurance Schedule	125

Page

SINGLE AUDIT SECTION

K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	127-128
K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	129-130
K-3 Schedule of Expenditures of Federal Awards, Schedule A	131
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	132
K-5 Notes to Schedules of Expenditures of Awards and Financial Assistance	133-134
K-6 Schedules of Findings and Questioned Costs	
Part 1 Summary of Auditor's Results	135-136
Part 2 Schedule of Financial Statement Findings	137
Part 3 Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs	138-139
K-7 Summary Schedule of Prior-Year Audit Findings and Questioned Costs as Prepared by Management	140

Introductory Section

Chester School District
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Fax (908) 879-5887

Christina VanWoert, Ed.D.
Superintendent of Schools

Mary Jane Canose
School Business Administrator
Board Secretary

November 26, 2012

The Honorable President and Members
of the Board of Education
Chester School District
County of Morris, New Jersey

Dear Board Members and Constituents:

The comprehensive annual financial report (CAFR) of the Chester School District for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Chester Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to presenting all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. This transmittal letter is designed to be read in conjunction with the Management Discussion and Analysis, which begins on page 14.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, Management Discussion and Analysis as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and its Services: Chester School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB No.14. All funds and account groups of the District are included in this report. The Chester School District Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in Chester Township and Chester Borough. These include regular as well as special services for children with learning disabilities. The District also provides summer special education courses and enrichment programs throughout the year. The District completed the 2011-2012 fiscal year with an enrollment of 1,318 students, which is 68 students less than the previous year's enrollment.

The following details the changes in the student enrollment of the District over the last five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2011-2012	1,318	- .06%
2010-2011	1,386	- .04%
2009-2010	1,442	.77%
2007-2008	1,431	1.63%
2006-2007	1,408	.64%

2. Economic Condition and Outlook: The Chester School District, as most of the school populations in the United States, is experiencing a period of slow development and expansion, which is expected to continue beyond the year 2012. It has been noted that the available space for future development in Chester Township is limited and there is no additional space in Chester Borough for additional homes.

Although Chester is considered a fairly affluent community, the District has had an increase over the past two years in families receiving free and reduced lunch benefits as a result of the current economy. This is the second year the District was eligible for Title I funds, which is unusual for a school system that is in the J District Factor Group.

3. Major Initiatives: The Black River Middle School is a New Jersey School to Watch.

The Chester School District's curriculum meets and exceeds the New Jersey Core Curriculum Content Standards. Listed below are the enhancements that the District's budget supports:

MATH

The District has fully implemented the Prentice-Hall grades 6-8 textbook series for Pre-Algebra, Algebra and Geometry and developed common assessments across courses.

SCIENCE

Developmentally appropriate content materials have been purchased to fully utilize scientific concepts across topics and grade levels.

LANGUAGE ARTS LITERACY

Student portfolio assessments have been developed across the District utilizing benchmark writing assessments to chart student progress longitudinally from Kindergarten through eighth grade.

SOCIAL STUDIES

The District has formed a multi-district consortium with the Gilder Lehrman Institute of American History.

TECHNOLOGY

The District continues to enhance the technology in the classroom and district-wide. A wireless network has been installed to facilitate technology integration and usage by the students and staff.

4. Internal Accounting Controls: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs as well as to determine that the District has complied with applicable laws and regulations.

5. Budgetary Controls: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipalities. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

6. Accounting System and Reports: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. AWARDS: The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011 was awarded a "Certificate of Excellence in Financial Reporting" by the Association of School Business Officials International. This is the eighth consecutive year the district has received this award.

8. FINANCIAL POLICIES: As a result of the current economic situation, the District has put policies in place to implement the efficiency standards as established by the State of New Jersey. The District is using shared services and purchasing cooperatives whenever possible. This year the District also applied and was accepted into the Morris County Improvement Authority's Renewable Energy Program, which will significantly reduce the District's energy costs, allowing more funding to be directed into the classroom.

The District adopted the following financial policies to guide budget development and oversight:

- Provide funds for programs and services that support district goals and education excellence
- Provide funding for all programs required by state and federal mandate, Board policy and contractual obligations
- Be prudent in the expenditure of district funds, respecting the impact on local taxpayers
- Build the budget from a zero base; requiring justification for all line items, including contingencies for unanticipated needs
- Prepare a budget in compliance with N.J.A.C. 6A:23A. School district Fiscal Accountability, Efficiency and Budgeting Procedures, Subchapter 8. Annual Budget Development and Submission
- Prepare a budget in compliance with the tax levy cap law, P.L. 2010, c. 44.


9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

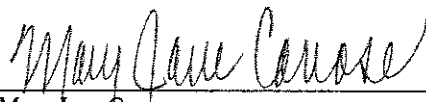
10. RISK MANAGEMENT: the Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

11. OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected VM Associates, Inc. as its auditor. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules, is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

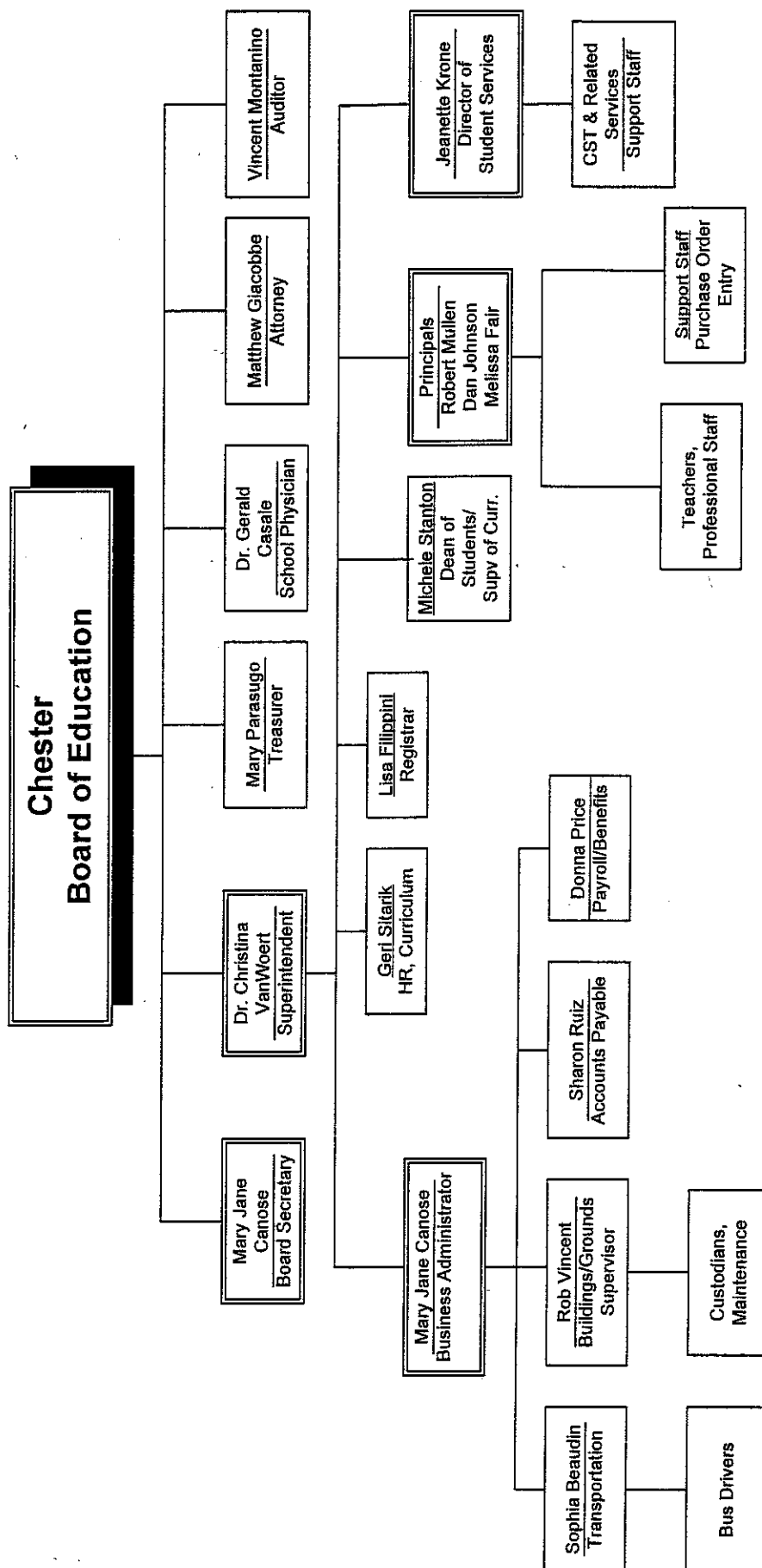
12. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Chester Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial services of our financial and accounting staff.

Respectfully submitted,


Christina Van Woert, Ed.D.
Superintendent of Schools


Mary Jane Canose
School Business Administrator, Board Secretary

Chester Public Schools Organization Chart



**CHESTER SCHOOL DISTRICT
CHESTER, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Martin Brown, Member	2012
Christine Hofstetter, Member	2012
Gary Lakritz, President	2013
Tracy Young, Member	2012
Angelo Pennisi, Member	2014
Heather Ronco, Member	2013
Ray Trevisan, President	2014
Kerri Wright, Vice President	2013
Laura Fishman, Member	2014

Other Officials

Dr. Christina Van Woert	Superintendent of Schools
Mary Jane Canose	Business Administrator/Board Secretary
Mary Parasugo	Treasurer of School Monies

**CHESTER SCHOOL DISTRICT
CHESTER, NEW JERSEY
CONSULTANTS AND ADVISORS
JUNE 30, 2012**

ATTORNEY

Matthew J. Giacobbe
Cleary, Giacobbe Alfieri Jacobs, LLC
7 James Street
Florham Park, NJ 07932

DISTRICT AUDITOR

VM Associates, Inc.
111 Howard Boulevard, Suite 212
P.O. Box 397
Mt. Arlington, New Jersey 07856

OFFICIAL DEPOSITORY

Valley National Bank
2 Main Street
Chester, NJ 07930

Association of School Business Officials International

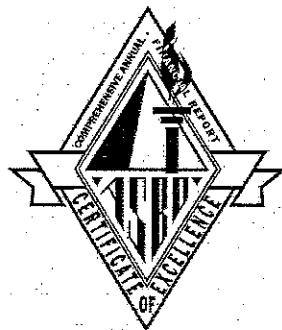


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Chester Board of Education

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Brian L. Mee, SFO, RSBA
President

John D. Musso, CAE, RSBA
Executive Director

Financial Section

Independent Auditors' Report



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Education
Chester School District
County of Morris, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chester School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

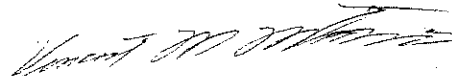
In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2012 on our consideration of the Chester School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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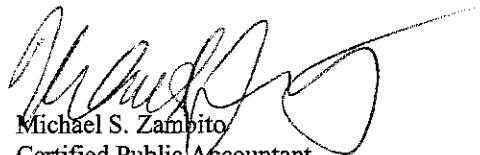
The Management's Discussion and Analysis on page 14 through 21 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chester School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 26, 2012

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Chester School District financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 24.

FINANCIAL HIGHLIGHTS

- The District's net assets increased \$2,307,589 as a result of this year's operations. Net assets of our business-type activities increased by \$6,751, and net assets of our governmental activities increased by \$ 2,300,838.
- Total cost of all of the District's programs was \$22.1 million in 2011-2012 and \$22.1 million in 2010-2011.
- During the year, the District had expenses for governmental activities that were \$2,300,838 less than the \$24.105 million generated in tax and other program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 24 and 25) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 28. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 16. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.
- Business-type-activities: the District has one proprietary fund as shown on pages 32 to 34.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 18. The fund financial statements begin on page 28 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on page 30.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 36 and 37. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District's *combined* net assets changed from a year ago, *increasing* from \$21.7 million to \$24.0 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 4,515,924	\$ 3,447,605	\$ 116,798	\$ 110,903	\$ 4,632,722	\$ 3,558,508
Capital Assets					-	-
Land Improvements & Construction in Progress	36,915,892	36,469,173			36,915,892	36,469,173
Other Assets, Net of Accum. Depreciation	3,003,591	3,049,497	33,289	33,893	3,036,880	3,083,390
Total Assets	44,435,407	42,966,275	150,087	144,796	44,585,494	43,111,071
Long-term Debt Outstanding	19,373,125	20,751,685			19,373,125	20,751,685
Other Liabilities	1,183,605	636,751	-	1,460	1,183,605	638,211
Total Liabilities	20,556,730	21,388,436	-	1,460	20,556,730	21,389,896
Net Assets:						
Invested in Capital Assets, Net						
of Related Debt	20,344,483	19,343,840	33,289	33,893	20,377,772	19,377,733
Restricted	3,863,164	2,438,890			3,863,164	2,438,890
Unrestricted (deficit)	(328,970)	(204,891)	116,798	109,443	(212,172)	(95,448)
Total Net Assets	\$ 23,878,677	\$ 21,577,839	\$ 150,087	\$ 143,336	\$ 24,028,764	\$ 21,721,175

Net assets of the District's governmental activities increased by 10.6 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$124,079. Restricted net assets, those restricted mainly for capital projects increased by \$1,424,274. Both net asset categories benefited from increased economic activity, which resulted in actual revenues exceeding budgeted revenues. The investment in capital assets, net of debt category increased by \$1,000,643.

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 213,034	\$ 129,450	\$ 330,545	\$ 332,641	\$ 543,579.00	\$ 462,091.00
Operating Grants and Contributions	3,997,063	3,759,445	68,006	70,163	4,065,069	3,829,608
General Revenues:						
Property Taxes	19,631,047	19,316,311			19,631,047	19,316,311
Federal and State Aid	100,018	11,861			100,018	11,861
Interest and Investment Earnings	55,281	33,893			55,281	33,893
Other General Revenues	109,148	106,224	-	-	109,148	106,224
Total Revenues:	24,105,591	23,357,184	398,551	402,804	24,504,142	23,759,988
Program Expenses Including Indirect Expenses						
Instruction:						
Regular	8,352,131	8,491,652			8,352,131	8,491,652
Special	2,640,462	2,580,749			2,640,462	2,580,749
Other Instruction	625,453	641,399			625,453	641,399
Support Services:						
Tuition	618,490	589,971			618,490	589,971
Student and Instruction Related Services	2,614,079	2,441,415			2,614,079	2,441,415
School Administrative Services	1,126,031	1,154,537			1,126,031	1,154,537
General and Business Administrative Services	1,312,986	1,294,430			1,312,986	1,294,430
Plant Operations and Maintenance	1,991,461	2,035,433			1,991,461	2,035,433
Pupil Transportation	1,466,222	1,404,699			1,466,222	1,404,699
Capital Outlay-Debt Service Assessment	42,595	73,244			42,595	73,244
Special Schools	150,368	171,127			150,368	171,127
Interest on Long-Term Debt	864,475	891,533			864,475	891,533
Business-Type Activities:						
Food Services	-	-	391,800	368,426	391,800	368,426
Total Expenses	21,804,753	21,770,189	391,800	368,426	22,196,553	22,138,615
Increase in Net Assets	<u>2,300,838</u>	<u>1,586,995</u>	<u>6,751</u>	<u>34,378</u>	<u>2,307,589</u>	<u>1,621,373</u>

THE DISTRICT'S FUNDS

Governmental Activities

Table 3

Information below compares revenues and expenditures for all governmental fund types for 2011-2012 and 2010-2011.

	2011-2012	2010-2011	% Change
Revenues by Source:			
Local Tax Levy	\$ 20,495,522	\$ 20,207,844	1.42%
Tuition Charges	213,034	129,450	64.57%
Interest Earned to Investments	55,281	33,893	63.10%
Miscellaneous	157,519	188,972	-16.64%
Total - Local Sources	20,921,356	20,560,159	1.76%
State Sources	2,705,323	2,363,774	14.45%
Federal Sources	478,912	433,251	10.54%
Total Revenues	24,105,591	23,357,184	3.20%
Expenditures by Function:			
Current:			
Regular Instruction	5,945,038	6,233,263	-4.62%
Special Education	1,957,584	1,959,198	-0.08%
Other Instruction	617,897	487,631	26.71%
Support Services and Undistributed Costs:			
Tuition	618,490	589,971	4.83%
Student and Instruction Related Services	1,997,889	1,920,413	4.03%
School Administrative Services	767,802	797,275	-3.70%
General and Business Administrative Services	897,544	912,222	-1.61%
Plant Operations and Maintenance	1,690,179	1,753,749	-3.62%
Pupil Transportation	1,364,453	1,319,740	3.39%
Employee Benefits	4,821,402	4,489,815	7.39%
Capital Outlay	701,835	374,395	87.46%
Capital Outlay-Debt Service Assessment	42,595	73,244	100.00%
Special Schools	126,943	149,292	-14.97%
Debt Service:			
Principal	670,000	645,000	3.88%
Interest on Long-Term Debt	873,550	900,275	-2.97%
Total Expenditures	23,093,201	22,605,483	2.16%

Business-type Activities

District's major Enterprise Funds consist of the Food Service Fund. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

Table 4

						Food	
						<u>Service</u>	
Total Assets						150,087	
Net Assets						150,087	
Change in Net Assets						6,751	
Return on Ending Total Assets						4.50%	
Return on Ending Net Assets						-4.50%	

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 5

Capital Assets at Year-end (Net of Depreciation)

	Governmental		Business-type				
	<u>Activities</u>		<u>Activites</u>		<u>Totals</u>		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Land Improvements	\$ 1,000,125	\$ 1,000,125	\$ -	\$ -	\$ 1,000,125	\$ 1,000,125	
Buildings	6,344,305	6,344,305			6,344,305	6,344,305	
Machinery and Equipment	1,439,468	1,249,342	105,031	101,632	1,544,499	1,350,974	
Construction-in-Progress	<u>35,915,767</u>	<u>35,469,048</u>	<u>-</u>	<u>-</u>	<u>35,915,767</u>	<u>35,469,048</u>	
Subtotal	44,699,665	44,062,820	105,031	101,632	44,804,696	44,164,452	
Accumulated Depreciation	<u>(4,780,182)</u>	<u>(4,544,150)</u>	<u>(71,743)</u>	<u>(67,739)</u>	<u>(4,851,925)</u>	<u>(4,611,889)</u>	
Totals	<u>39,919,483</u>	<u>39,518,670</u>	<u>33,288</u>	<u>33,893</u>	<u>39,952,771</u>	<u>39,552,563</u>	

This year's major additions in the Governmental Activities included ongoing renovations to the school facilities and various purchases of instructional equipment. There were no changes to Business-type Activities equipment.

The 2012-2013 budget calls for capital outlay expenditures in the amount of \$403,458, which represents Facilities Acquisition and Construction Services. These funds are to replace a section of roofing at Dickerson School, replace the gym roof at Black River Middle School, complete the floor tile asbestos abatement in Dickerson School and remediate a section of asbestos floor tile at Bragg School, replace carpeting at Black River Middle School, and refinish the Bragg gym floor. More detailed information about the District capital assets is presented in Note II:C. to the basic financial statements.

DEBT

At year – end the District had total debt of \$20.1 million outstanding versus \$20.7 last year – a decrease of 3.0 percent – as shown in Table 6.

Outstanding Debt, at year –end

Table 6

			Governmental	
			Activities	
			2012	2011
Serial Bonds			\$ 19,445,000	\$ 20,115,000
Capital Leases			130,000	59,830
Compensated Absences			558,125	576,855
			<u>\$ 20,133,125</u>	<u>\$ 20,751,685</u>

The District continued to pay down its debt as scheduled, retiring \$670,000 of its outstanding serial bonds. Capital Leases increased by the issuance of a new Technology Lease in the amount of \$260,000 and decreased by the scheduled pay down of \$189,830. The District's accrued Compensated Absences decreased by \$18,730 from 2011 primarily due to the retirement of 2 employees who received their sick day payout in accordance with policy.

An analysis of District Debt is presented in Note III: B. to the basic financial statements.

BUDGETS

The District's budget is prepared according to New Jersey Department of Education guidelines. The most significant budgetary fund is the General Fund. Revisions in the general fund budget were made through budget transfers to prevent over commitments in specific line item accounts. These transfers were made by a resolution of the Board of Education pursuant to N.J.S.A. 18A:22-8.1.

Described below are explanations for variations in expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

Revenues

There were no revenue fluctuations between the original and modified budgets.

Expenditures

The modified budget for Regular Programs-Instruction- Grades 1-5 Salaries of Teachers decreased by \$185,206 due to the retirements of senior teachers, a decrease in enrollment, and a successful settlement of the negotiated agreement with the teaching staff.

The modified budget for Regular Programs-Instruction- Grades 6-8 Salaries of Teachers decreased by \$110,803 due to the retirement of senior teachers and a successful settlement of the negotiated agreement with the teaching staff.

The modified budget for Regular Programs-Undistributed Instruction-General Supplies increased by \$179,783 because of upgrades to the wireless internet system to enhance use of new technology in the classrooms.

The modified budget for Undistributed Expenditures-Other Operation & Maintenance of Plant-Energy (Energy & Electricity decreased \$101,779 because of energy saving measures instituted during the year.

Expenditures (Continued)

The modified budget for Allocated Benefits-Grades 1-5 Salaries of Teachers decreased by \$1,313,058 because it was reallocated to the other line items for Allocated Benefits- Regular, Special Ed, & Other Instruction.

Capital Outlay-Equipment increased \$195,648 because funds generated through energy savings were used to purchase 2 new school vans and interactive whiteboards for the classrooms.

Described below are explanations for variations in expenditures for certain lines where the modified budgeted amounts differ from the actual budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

Revenues

Actual Tuition income was more than the modified budget by approximately \$117,000 as a result of a new student received from the Randolph School District and a new preschool tuition program.

Actual miscellaneous income was more than the modified budget by approximately \$59,000 as a result of collecting additional income that was not anticipated, resulting from the sale of a used wheelchair van and new extracurricular fees.

Expenditures

The actual amounts expended for Regular Programs-Instruction was less than the final budget by approximately \$303,775 as a result of a decrease in staff and turnover of experienced staff members.

The actual amounts expended for Undistributed Expenditures-Instruction-Tuition to Private Schools for the Disabled within State was less than the final budget by approximately \$97,244 as a result of a student returning to district.

The actual amounts expended for Undistributed Expenditures-Other Support Services-Related Services was less than the final budget by approximately \$97,746 as a result of additional IDEA Grant funds available for these services.

The actual amounts expended for Undistributed Expenditures-Other Operation& Maintenance of Plant-Energy and Electricity was less than the final budget by approximately \$91,457 as a result of the District incurring less expenditures for energy than was previously anticipated when the budget was prepared.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Jane Canose, the School Business Administrator, Chester School District, Chester, New Jersey.

BASIC FINANCIAL STATEMENTS

Section A

GOVERNMENT – WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,186,629	\$103,177	\$ 1,289,806
Receivables, Net	1,145,038	3,398	1,148,436
Inventory		10,223	10,223
Restricted Assets:			
Cash	286,493		286,493
Capital Reserve Account - Cash	1,897,764		1,897,764
Capital Assets, Net	<u>39,919,483</u>	<u>33,289</u>	<u>39,952,772</u>
Total Assets	<u>44,435,407</u>	<u>150,087</u>	<u>44,585,494</u>
LIABILITIES			
Accounts Payable	80,903	-	80,903
Interfunds Payable	-	-	-
Interest Payable	285,441		285,441
Payable to State Government	11,159		11,159
Deferred Revenue	46,102		46,102
Noncurrent Liabilities			
Due Within One Year	760,000		760,000
Due Beyond One Year	<u>19,373,125</u>	<u>-</u>	<u>19,373,125</u>
Total Liabilities	<u>20,556,730</u>	<u>-</u>	<u>20,556,730</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	20,344,483	33,289	20,377,772
Restricted For:			
Capital Projects	440,609		440,609
Other Purposes	3,422,555		3,422,555
Unrestricted	<u>(328,970)</u>	<u>116,798</u>	<u>(212,172)</u>
Total Net Assets	<u>\$23,878,677</u>	<u>\$150,087</u>	<u>\$24,028,764</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,352,131	\$ 213,034	\$ 817,431	\$ (7,321,666)		\$ (7,321,666)
Special Education	2,640,462		1,324,074	(1,316,388)		(1,316,388)
Other Instruction	625,453		74,064	(551,389)		(551,389)
Support Services:						
Tuition	618,490		286,753	(331,737)		(331,737)
Student and Instruction Related Services	2,614,079		300,495	(2,313,584)		(2,313,584)
School Administrative Services	1,126,031		101,195	(1,024,836)		(1,024,836)
General and Business Administrative Services	1,312,986		70,119	(1,242,867)		(1,242,867)
Plant Operations and Maintenance	1,991,461		96,466	(1,894,995)		(1,894,995)
Pupil Transportation	1,466,222		45,494	(1,420,728)		(1,420,728)
Capital Outlay-Debt Service Assessment	42,595			(42,595)		(42,595)
Special Schools	150,368		16,497	(133,871)		(133,871)
Interest on Long-Term Debt	864,475		864,475	-		-
Total Governmental Activities	<u>21,804,753</u>		<u>3,997,063</u>	<u>(17,594,656)</u>		<u>(17,594,656)</u>
Business-Type Activities:						
Food Service	391,800	330,545	68,006		6,751	6,751
Total Business-Type Activities	<u>391,800</u>	<u>330,545</u>	<u>68,006</u>	<u>-</u>	<u>6,751</u>	<u>6,751</u>
Total Primary Government	<u>\$ 22,196,553</u>	<u>\$ 330,545</u>	<u>\$ 4,065,069</u>	<u>\$ (17,594,656)</u>	<u>\$ 6,751</u>	<u>\$ (17,587,905)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				\$ 18,951,972		\$ 18,951,972
Property Taxes, Levied for Debt Service				679,075		679,075
Federal and State Aid Not Restricted				100,018		100,018
Investment Earnings				55,281		55,281
Miscellaneous Income				109,148		109,148
Total General Revenues				<u>19,895,494</u>		<u>19,895,494</u>
Change in Net Assets				2,300,838	6,751	2,307,589
Net Assets—Beginning				21,577,839	143,336	21,721,175
Net Assets—Ending				<u>\$ 23,878,677</u>	<u>\$ 150,087</u>	<u>\$ 24,028,764</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Section B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,186,629	\$ -	\$ 286,493	\$ -	\$ 1,473,122
Interfunds Receivable	573,534				573,534
Receivables from Other Governments	345,694	166,779	557,776		1,070,249
Other	3,649	3,100	68,040		74,789
Restricted Cash and Cash Equivalents	<u>1,897,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,897,764</u>
Total Assets	<u>\$ 4,007,270</u>	<u>\$ 169,879</u>	<u>\$ 912,309</u>	<u>\$ -</u>	<u>\$ 5,089,458</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 69,419	\$ 11,484	\$ -	\$ -	\$ 80,903
Interfunds Payable	-	101,834	471,700		573,534
Payable to State Government		11,159			11,159
Deferred Revenue	<u>700</u>	<u>45,402</u>	<u>-</u>		<u>46,102</u>
Total Liabilities	<u>70,119</u>	<u>169,879</u>	<u>471,700</u>		<u>711,698</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	1,504,735				1,504,735
Maintenance Reserve Account	393,029				393,029
Excess Surplus-Current Year	617,339				617,339
Excess Surplus – Prior Year Designated for Subsequent Year's Expenditures	521,416				521,416
Assigned to:					
Year End Encumbrances	386,036				386,036
Unassigned:					
General Fund	514,596				514,596
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>440,609</u>	<u>-</u>	<u>440,609</u>
Total Fund Balances	<u>3,937,151</u>	<u>-</u>	<u>440,609</u>	<u>-</u>	<u>4,377,760</u>
Total Liabilities and Fund Balances	<u>\$ 4,007,270</u>	<u>\$ 169,879</u>	<u>\$ 912,309</u>	<u>\$ -</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

The District has financed capital assets through the issuance of serial bonds. The adjustment to net assets for the accrual of interest expense is: (285,441)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$44,699,665 and the accumulated depreciation is \$4,780,182. 39,919,483

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (20,133,125)

Net assets of governmental activities \$ 23,878,677

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 18,951,972	\$ -	\$ -	\$ 1,543,550	\$ 20,495,522
Tuition Charges	213,034				213,034
Interest Earned on Investments	55,281		-		55,281
Miscellaneous	109,148	48,371	-	-	157,519
Total - Local Sources	19,329,435	48,371	-	1,543,550	20,921,356
State Sources	2,633,272	72,051			2,705,323
Federal Sources	51,572	427,340	-	-	478,912
Total Revenues	<u>22,014,279</u>	<u>547,762</u>	<u>-</u>	<u>1,543,550</u>	<u>24,105,591</u>
EXPENDITURES					
Current:					
Regular Instruction	5,900,323	44,715			5,945,038
Special Education Instruction	1,618,070	339,514			1,957,584
Other Instruction	617,897				617,897
Support Services and Undistributed Costs:					
Tuition	618,490				618,490
Student and Instruction Related Services	1,884,445	113,444			1,997,889
School Administrative Services	767,802				767,802
General and Business Administrative Services	897,544				897,544
Plant Operations and Maintenance	1,690,179				1,690,179
Pupil Transportation	1,364,453				1,364,453
Allocated Benefits	2,682,476				2,682,476
Unallocated Benefits	2,138,926				2,138,926
Special Schools	126,943				126,943
Capital Outlay	499,039	50,089	152,707		701,835
Capital Outlay-Debt Service Assessment	42,595				42,595
Debt Service:					
Principal				670,000	670,000
Interest and Other Charges	-	-	-	873,550	873,550
Total Expenditures	<u>20,849,182</u>	<u>547,762</u>	<u>152,707</u>	<u>1,543,550</u>	<u>23,093,201</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>1,165,097</u>	<u>-</u>	<u>(152,707)</u>	<u>-</u>	<u>1,012,390</u>
OTHER FINANCING SOURCES AND (USES)					
Capital Leases (Non-Budgeted)	260,000				260,000
Total Other Financing Sources and (Uses)	<u>260,000</u>				<u>260,000</u>
Net change in fund balances	1,425,097	-	(152,707)	-	1,272,390
Fund Balance—July 1	2,512,054	-	593,316	-	3,105,370
Fund Balance—June 30	<u>\$ 3,937,151</u>	<u>\$ -</u>	<u>\$ 440,609</u>	<u>\$ -</u>	<u>\$ 4,377,760</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012**

Total Net Change in Fund Balances - Governmental Funds (from B-2) **\$ 1,272,390**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (301,022)	
Capital Outlays	<u>701,835</u>	400,813

Repayment of bond and Capital Lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 859,830

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Capital lease proceeds	(260,000)
------------------------	-----------

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)

Interest Paid	873,550	
Interest Accrued	<u>(864,475)</u>	9,075

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). 18,730

Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)

Change in Net Assets of Governmental Activities	<u>\$ 2,300,838</u>
--	----------------------------

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 103,177	\$ 103,177
Accounts Receivable		-
Federal and State Programs	3,398	3,398
Inventories	<u>10,223</u>	<u>10,223</u>
Total Current Assets	<u>116,798</u>	<u>116,798</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	105,031	105,031
Less Accumulated Depreciation	<u>(71,742)</u>	<u>(71,742)</u>
Total Noncurrent Assets	<u>33,289</u>	<u>33,289</u>
Total Assets	<u>150,087</u>	<u>150,087</u>
NET ASSETS		
Invested in Capital Assets, Net Of		
Related Debt	33,289	33,289
Unrestricted	<u>116,798</u>	<u>116,798</u>
Total Net Assets	<u>\$ 150,087</u>	<u>\$ 150,087</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 207,177	\$ 207,177
Daily Sales - Non-Reimbursable Programs	120,295	120,295
Special Functions	2,823	2,823
Miscellaneous	250	250
Total Operating Revenues	<u>330,545</u>	<u>330,545</u>
Operating Expenses:		
Cost of Sales	132,931	132,931
Salaries	118,802	118,802
Employee Benefits	39,741	39,741
Purchased Property Service	61,729	61,729
Cleaning, Repair and Maintenance Services	6,395	6,395
Small Equipment	2,094	2,094
Other Purchased Services	1,727	1,727
General Supplies	24,377	24,377
Depreciation	4,004	4,004
Total Operating Expenses	<u>391,800</u>	<u>391,800</u>
Operating (Loss)	<u>(61,255)</u>	<u>(61,255)</u>
Nonoperating Revenues and Expenses:		
State Sources:		
State School Lunch Program	3,705	3,705
Federal Sources:		
National School Lunch Program	44,365	44,365
Food Distribution Program	18,232	18,232
Interest Income	1,704	1,704
Total Nonoperating Revenues and Expenses	<u>68,006</u>	<u>68,006</u>
Change in Net Assets	6,751	6,751
Total Net Assets—Beginning	<u>143,336</u>	<u>143,336</u>
Total Net Assets—Ending	<u>\$ 150,087</u>	<u>\$ 150,087</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 330,545	\$ 330,545
Payments to Employees	(118,802)	(118,802)
Payments for Employee Benefits	(39,741)	(39,741)
Payments to Suppliers	<u>(227,545)</u>	<u>(227,545)</u>
Net Cash (Used For) Operating Activities	<u>(55,543)</u>	<u>(55,543)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	3,806	3,806
Federal Sources	44,964	44,964
Food Distribution Program	18,231	18,231
Vending Machine Proceeds Due BRMS Student Account	2,241	2,241
Paid to BRMS Student Account	<u>(3,701)</u>	<u>(3,701)</u>
Net Cash Provided By Non-Capital Financing Activities	<u>65,541</u>	<u>65,541</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	<u>(3,399)</u>	<u>(3,399)</u>
Net Cash (used for) Capital and Related Financing Activities	<u>(3,399)</u>	<u>(3,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	<u>1,704</u>	<u>1,704</u>
Net Cash Provided by Investing Activities	<u>1,704</u>	<u>1,704</u>
Net Increase In Cash	8,303	8,303
Balances—Beginning of Year	<u>94,874</u>	<u>94,874</u>
Balances—End of Year	<u>\$ 103,177</u>	<u>\$ 103,177</u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Operating (Loss)	\$ (61,255)	\$ (61,255)
Adjustments to Reconcile Operating (Loss) To Net Cash (Used For) Operating Activities:		
Depreciation and Net Amortization	4,004	4,004
Decrease in Inventories	<u>1,708</u>	<u>1,708</u>
Total Adjustments	<u>5,712</u>	<u>5,712</u>
Net Cash (Used For) Operating Activities	<u>\$ (55,543)</u>	<u>\$ (55,543)</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 126,431	\$ 130,136
Total Assets	<u>\$ 126,431</u>	<u>\$ 130,136</u>
LIABILITIES		
Payable to Student Groups		\$ 51,709
Payroll Deductions and Withholdings		<u>78,427</u>
Total Liabilities		<u>\$ 130,136</u>
NET ASSETS		
Held in Trust for Unemployment Claims	<u>\$ 126,431</u>	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012**

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 18,683
Total Contributions	<u>18,683</u>
Investment Earnings:	
Interest	<u>1,600</u>
Net Investment Earnings	<u>1,600</u>
Total Additions	<u>20,283</u>
DEDUCTIONS	
Quarterly Contribution Reports	<u>19,061</u>
Total Deductions	<u>19,061</u>
Change in Net Assets	<u>1,222</u>
Net Assets—Beginning	<u>125,209</u>
Net Assets—Ending	<u>\$ 126,431</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Chester School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Chester School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, certain legally separate; tax exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary, junior and senior high schools located in Chester, New Jersey. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Government-Wide Statements (Continued)

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non capital financing activities, or investing activities normally would not be reported as components of operating income.

The District's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:

Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds.. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Upon the filing of certified adopted budgets by the School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of additional fund balance in the amount of \$210,855, were made during the year ended June 30, 2012. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The special revenue fund had encumbrances of \$3,946.87 at June 30, 2012. Open encumbrances in the special revenue fund are reflected in the balance sheet as deferred revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

3. Receivables from other Governments

The following is an analysis of receivables from State Governments (See K-4 for Analysis):

- A. Fund 10-State Aid-\$421,495
- B. Fund 30 –NJ EDA-\$557,775
- C. Fund 60- Child Nutrition-\$244

4. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

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BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

5. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, parking lots, underground pipe, etc.. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has included all infrastructure assets in the current fiscal year

6. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note VIII)

7. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

8. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

8. Long – term Obligations (Continued)

reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

9. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Fund Balance Reserves

The District elected to implement GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2012 the Chester School District's cash and cash equivalent's amounted to \$4,383,954. Of this amount, \$250,000 was covered by federal depository insurance (F.D.I.C.) and \$4,083,801 was covered by a collateral pool maintained by the banks as required by GUDPA and \$50,153 was on deposit with MBIA.

At June 30, 2012 the Chester School District had no participation in the State of New Jersey Cash Management Fund..

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2012, \$50,153 of the Chester School District's cash and cash equivalents of \$4,383,954 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Public Depository or by its' Trust Department not in the Chester School District's name	<u>\$50,153</u>
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The District does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Chester School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District did not have any investments at June 30, 2012.

Interest Rate Risk: The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments at June 30, 2012.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments at June 30, 2012.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Interfund Receivables and Payables

As of June 30, 2012, interfund receivables and payables resulting from various interfund transactions were as follows:

	Due from <u>Other</u> <u>Funds</u>	Due to <u>Other</u> <u>Funds</u>
General Fund	\$ 573,534	\$ 0.00
Special Revenue Fund		101,834
Capital Projects Fund	<u>0.00</u>	<u>471,700</u>
	<u>\$573,534</u>	<u>\$573,534</u>

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BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Adjustment	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	<u>35,469,048</u>	<u>446,719</u>	<u>-</u>	<u>35,915,767</u>
Total Capital Assets Not Being Depreciated	<u>35,469,048</u>	<u>446,719</u>	<u>-</u>	<u>35,915,767</u>
Land Improvements	1,000,125	-		1,000,125
Buildings and Improvements	6,344,305	-	-	6,344,305
Machinery and Equipment	<u>1,249,342</u>	<u>255,116</u>	<u>(64,990)</u>	<u>1,439,468</u>
Totals at Historical Cost	<u>8,593,772</u>	<u>255,116</u>	<u>(64,990)</u>	<u>8,783,898</u>
Less Accumulated Depreciation For:				
Land Improvements	(492,929)	(50,006)		(542,935)
Buildings and Improvements	(3,388,326)	(119,862)	-	(3,508,188)
Machinery and Equipment	<u>(662,895)</u>	<u>(131,154)</u>	<u>64,990</u>	<u>(729,059)</u>
Total Accumulated Depreciation	<u>(4,544,150)</u>	<u>(301,022)</u>	<u>(1) 64,990</u>	<u>(4,780,182)</u>
Net Capital Assets Being Depreciated	<u>4,049,622</u>	<u>(45,906)</u>	<u>-</u>	<u>4,003,716</u>
Governmental Activities Capital Assets, Net	<u>39,518,670</u>	<u>400,813</u>	<u>-</u>	<u>39,919,483</u>
Business - Type Activities:				
Equipment	101,632	3,399		105,031
Less Accumulated Depreciation	<u>(67,739)</u>	<u>(4,004)</u>	<u>-</u>	<u>(71,743)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 33,893</u>	<u>\$ (605)</u>	<u>\$ -</u>	<u>\$ 33,288</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 48,606
School Administrative Services	29,614
General and Business Administrative Services	193,997
Plant Operations and Maintenance	3,603
Pupil Transportation	<u>25,202</u>
	<u>301,022</u>

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copiers under operating leases which expire in 2015. Total operating lease payments made during the year ended June 30, 2012 were \$ 74,339. Future minimum

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	\$ 74,339
June 30, 2014	74,339
June 30, 2015	61,949
Total future minimum lease	<u>\$ 210,627</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Long - Term Debt:					
Serial Bonds	<u>\$20,115,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>	<u>\$ 19,445,000</u>	<u>\$ 695,000</u>
Total Debt Payable	<u>20,115,000</u>	<u>-</u>	<u>670,000</u>	<u>(1) 19,445,000</u>	<u>695,000</u>
Other Liabilities:					
Compensated Absences	576,855	7,495	26,225	558,125	-
Capital Leases	<u>59,830</u>	<u>260,000</u>	<u>189,830</u>	<u>130,000</u>	<u>65,000</u>
Total Other Liabilities	<u>636,685</u>	<u>267,495</u>	<u>216,055</u>	<u>(2) 688,125</u>	<u>65,000</u>
Governmental Activities					
Long - Term Liabilities	<u>\$20,751,685</u>	<u>\$267,495</u>	<u>\$ 886,055</u>	<u>\$ 20,133,125</u>	<u>\$ 760,000</u>

(1) Paid by Debt Service Fund

(2) Paid by General Fund

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Serial Bonds outstanding as of June 30, 2012 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Refunding Bonds	Various	9/1	9/1/17	\$ 5,195,000	\$ 3,210,000
School Bonds	Various	3/1	3/1/35	17,230,000	<u>16,235,000</u>
					<u>\$ 19,445,000</u>

Principal and interest due on serial bonds outstanding is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2013	\$ 695,000	\$ 845,925	\$ 1,540,925
2014	715,000	817,588	1,532,588
2015	735,000	788,412	1,523,412
2016	760,000	758,637	1,518,637
2017	780,000	727,925	1,507,925
2018	810,000	695,450	1,505,450
2019	590,000	672,750	1,262,750
2020	620,000	646,200	1,266,200
2021	650,000	618,300	1,268,300
2022	685,000	589,050	1,274,050
2023	675,000	558,225	1,233,225
2024	715,000	527,850	1,242,850
2025	750,000	495,675	1,245,675
2026	800,000	461,925	1,261,925
2027	840,000	425,925	1,265,925
2028	885,000	388,125	1,273,125
2029	940,000	348,300	1,288,300
2030	990,000	306,000	1,296,000
2031	1,040,000	261,450	1,301,450
2032	1,100,000	214,650	1,314,650
2033	1,160,000	165,150	1,325,150
2034	1,220,000	112,950	1,332,950
2035	<u>1,290,000</u>	<u>58,050</u>	<u>1,348,050</u>
	<u>\$19,445,000</u>	<u>\$11,484,512</u>	<u>\$30,929,512</u>

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Bonds Authorized But Not Issued

As of June 30, 2012 the Board had authorized but not issued bonds in the amount of \$988.

3. Capital Leases Payable

The District is leasing technology equipment totaling \$500,000 under capital leases. All capital leases are for terms of five to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2012.

<u>Year</u>	<u>Amount</u>
2013	\$ 65,000
2014	<u>65,000</u>
Total Minimum Lease Payments	130,000
Less: Amount Representing Interest	<u>(5,171)</u>
Present Value of Net Minimum Lease Payments	<u>\$124,829</u>

4. Refunding Bonds Payable

Refunding bonds in the amount of \$5,195,000 were issued on August 1, 2004. The purpose of the Bonds were to (i) advance refund all of the \$4,950,000 aggregate principal amount of School Bonds of the Board dated September 1, 1997 originally issued in the principal amount of \$8,400,000 maturing on or after September 1, 2008 (the "Refunded Bonds") and callable on or after September 1, 2007 (the "Redemption Date") at 100% of par (the "Redemption Price") plus unpaid accrued interest to the Redemption Date and (ii) pay the costs of issuance associated with the Bonds.

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BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note IV: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.73 (S1701), the designation for Reserved Fund Balance—Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$1,138,755. The reserved fund balance of \$521,416 has been appropriated in the fiscal year 2012-2013 and \$617,339 will be appropriated in the fiscal year 2013-2014.

B. Capital Reserve Account

Capital reserve accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. Funds withdrawn from the account must be included in the annual budget certified for taxes as a revenue labeled "Withdrawal from Capital Reserve".

Increases in the account from sources other than investment income cannot exceed the amount appropriated in the annual budget certified for taxes as an increase in the capital reserve account.

During fiscal year 2001 the Board passed a resolution for the establishment of a capital reserve account. The 2002 certified budget included an increase in the capital reserve account of \$399,009; comprised of a \$399,009 voter approved transfer from unreserved fund balance.

The 2002-2003 certified budget included an increase in the capital reserve account of \$400,000 comprised of \$400,000 voter approved transfer from unreserved fund balance. In 2003-2003 the Board passed a resolution transferring \$432,202 from the capital reserve to the Capital Projects Fund for the local share of EDA projects.

The 2003-2007 certified budget included an increase in the capital reserve account of \$409,000 comprised of \$400,000 voter approved transfer from unreserved fund balance and \$9,000 of investment earnings. In 2003-2004 \$78,375 was transferred in to Capital Reserve. This represented unexpended local share monies from approved EDA projects.

In 2005-2006 the Board passed a resolution transferring \$500,000 from the Capital Reserve to the Capital Projects Fund for the local share of EDA project.

The 2006-2007 certified budget included an increase in the Capital Reserve account of \$259,000 comprised of \$250,000 voter approved transfer from unreserved fund balance and \$9,000 of investment earnings.

The 2007-2008 certified budget included an increase in the Capital Reserve account of \$315,000 comprised of \$300,000 voter approved transfer from unreserved fund balance and \$15,000 of investment earnings.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note IV: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

The 2008-2009 certified budget included an increase in the Capital Reserve account comprised of \$15,000 of investment earnings.

The 2009-2010 certified budget included an increase in the Capital Reserve account comprised of \$20,000 of investment earnings. The 2009-2010 also included a withdrawal from Capital Reserve of \$285,000 from the capital reserve for excess Costs and Other Capital Projects.

The 2010-2011 certified budget included an increase in the capital reserve account of \$20,000 comprised of investment earnings. The 2010-2011 budget also included a withdrawal from Capital Reserve of \$100,000 for excess Costs and Other Capital Projects. Resolutions were also passed to transfer and additional \$179,748 to the Capital Projects Fund for a Roofing Project, and to transfer \$500,000 from unreserved fund balance to capital reserve.

The 2011-2012 certified budget included an increase in the capital reserve account of \$10,000 comprised of investment earnings. A resolution was also passed to transfer \$500,000 from unreserved fund balance to capital reserve.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2010 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 994,735
Interest Earnings	10,000
Transfer from Unreserved Fund Balance	<u>500,000</u>
Ending Balance June 30, 2012	<u>\$1,504,735</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$40,114,000.

C. Maintenance Reserve Account

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities project, districts are required to submit a plan for the maintenance of that facility. As of June 30, 2012, the District has reserved \$393,029 for maintenance.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note V: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Retirement Benefits

For PERS and TPAF employees, who retire at a specified age or after 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note V: Pension Plans (Continued)

Significant Legislation

PERS and TPAF employee contribution rates will increase from 5.5% to 6.5% of salary effective October 2011. The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year

period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 6.50 percent for TPAF and PERS and 5.5% for DCRP of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012, for TPAF, annual pension cost differs from the annual required contribution. For PERS, the annual pension cost equals the annual required contribution made. In the DCRP, member contributions are matched by a 3% employer contribution.

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BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note V: Pension Plans (Continued)

Contributions – Actual

The District's total payroll for the year ended June 30, 2012 was \$11,484,032 and covered payroll was \$8,285,732 for TPAF and \$1,709,921 for PERS. Contributions to the TPAF and the PERS for the year ended June 30, 2011 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

			Percent of Covered Payroll		Percent of Covered Payroll
		<u>TPAF</u>		<u>PERS</u>	
Employees	6/30/10	516,586	5.53%	110,296	5.61%
	6/30/11	485,134	5.53%	99,170	5.53%
	6/30/12	538,440	6.50%	108,085	6.32%
Board of Education	6/30/10	N/A	N/A	162,411	8.25%
	6/30/11	N/A	N/A	204,281	11.39%
	6/30/12	N/A	N/A	222,460	13.00%
State of New Jersey	6/30/10	620,890	6.41%	N/A	N/A
	6/30/11	647,075	7.37%	N/A	N/A
	6/30/12	888,383	10.72%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$617,913 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the District.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note VI: Post-Retirement Medical Benefits (Continued)

The District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

Note VII: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium. (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Chester School District continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance -- The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

<u>Fiscal Year</u>	<u>School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$0.00	\$18,683	\$19,061	\$126,431
2010-2011	\$0.00	17,229	41,777	125,209
2009-2010	\$0.00	20,940	29,430	147,830

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note VIII: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

In the government-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

Note IX: Contingent Liabilities

The Chester School District is a defendant in a few lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note X: Subsequent Events

The Chester School District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

Section C
BUDGETARY COMPARISON SCHEDULES

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

		Original Budget	Budget Transfers	Final Budget	Actual- Budgetary Basis	Variance Final to Actual
REVENUES:						
Local Sources:						
Local Tax Levy		\$ 18,951,972	\$ -	\$ 18,951,972	\$ 18,951,972	\$ -
Tuition		96,000	-	96,000	213,034	117,034
Interest Earned on Investments		45,000	-	45,000	55,281	10,281
Interest Earned on Capital Reserve Funds		10,000	-	10,000		(10,000)
Miscellaneous		50,000	-	50,000	109,148	59,148
Total - Local Sources		19,152,972	-	19,152,972	19,329,435	176,463
State Sources:						
Categorical Special Education Aid		663,846	-	663,846	822,275	158,429
Categorical Security Aid			-		53,145	53,145
Anti-Bullying Aid			-		615	615
Non-Public Transportation Aid			-		22,143	22,143
Extraordinary Aid		95,000	-	95,000	286,753	191,753
TPAF Pension (On-Behalf - Non-Budgeted)		-	-	-	888,383	888,383
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	617,913	617,913
Total State Sources		758,846	-	758,846	2,691,227	1,932,381
Federal Sources:						
Education Jobs Fund		50,005	-	50,005	51,572	1,567
Total - Federal Sources		50,005	-	50,005	51,572	1,567
Total Revenues		19,961,823	-	19,961,823	22,072,234	2,110,411
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Preschool/Kindergarten - Salaries of Teachers	110-100-101	\$ 402,148	\$ (55,485)	\$ 346,663	\$ 336,165	\$ 10,518
Grades 1-5 - Salaries of Teachers	120-100-101	3,012,413	(185,206)	2,827,207	2,792,434	34,773
Grades 6-8 - Salaries of Teachers	130-100-101	2,427,103	(110,803)	2,316,300	2,259,649	56,651
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	7,000	-	7,000	2,177	4,823
Purchased Professional-Educational Services	150-100-320	3,000	520	3,520	1,112	2,408
Regular Programs - Undistributed Instruction						
Other Purchased Services (400-500 series)	190-100-500	203,000	-	203,000	199,122	3,878
General Supplies	190-100-610	215,092	179,783	394,875	225,716	169,159
Textbooks	190-100-640	57,668	28,554	86,222	73,639	12,583
Other Objects	190-100-800	18,183	1,108	19,291	10,109	9,182
TOTAL REGULAR PROGRAMS - INSTRUCTION		6,345,607	(141,509)	6,204,098	5,900,323	303,775
SPECIAL EDUCATION - INSTRUCTION						
Multiple Disabilities:						
Salaries of Teachers	212-100-101	122,101	48,985	171,086	148,815	24,271
Salaries of Teachers	212-100-106	38,696	9,958	48,654	38,696	9,958
General Supplies	212-100-610	2,699	-	2,699	2,280	419
Total Multiple Disabilities		163,496	58,943	222,439	189,791	34,648
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	1,026,489	1,808	1,028,297	1,016,035	12,262
Other Salaries for Instruction	213-100-106	276,456	19,264	295,720	263,396	32,324
General Supplies	213-100-610	11,217	(885)	10,332	9,199	1,133
Textbooks	213-100-640	1,060	-	1,060	1,059	1
Total Resource Room/Resource Center		1,315,222	20,187	1,335,409	1,309,689	25,720
Preschool Disabilities - Part-Time:						
Salaries of Teachers	215-100-101	77,520	7,782	85,302	85,303	(1)
Other Salaries for Instruction	215-100-106	44,151	(11,083)	33,068	32,983	75
General Supplies	215-100-610	1,193	1,101	2,294	2,294	-
Total Preschool Disabilities - Part-Time		122,864	(2,200)	120,664	120,580	74
TOTAL SPECIAL EDUCATION - INSTRUCTION		1,601,582	76,930	1,678,512	1,618,070	60,442
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	337,031	61,140	398,171	389,024	9,147
General Supplies	230-100-610	3,993	447	4,440	4,274	166
Total Basic Skills/Remedial - Instruction		341,024	61,587	402,611	393,298	9,313
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	103,802	22,982	126,784	110,340	16,444
General Supplies	240-100-610	3,825	-	3,825	3,685	140
Total Bilingual Education - Instruction		107,627	22,982	130,609	114,025	16,584
School-Spon. Cocurricular Actvts. - Inst.						
Salaries	401-100-100	53,877	1,825	55,702	55,702	-
Supplies and Materials	401-100-600	6,240	(730)	5,510	4,971	539
Total School-Spon. Cocurricular Actvts. - Inst.		60,117	1,095	61,212	60,673	539

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual- Budgetary Basis	Variance Final to Actual
Other Instructional Programs - Instruction						
Salaries	402-100-100	\$ 43,429	\$ 1,686	\$ 45,115	\$ 42,474	\$ 2,641
Purchased Services (300-500 series)	402-100-500	6,500	(2,782)	3,718	2,379	1,339
Supplies and Materials	402-100-600	8,776	-	8,776	4,671	4,105
Other Objects	402-100-800	800	-	800	377	423
Total Other Instructional Programs - Instruction		59,505	(1,096)	58,409	49,901	8,508
Total Instruction		8,515,462	19,989	8,535,451	8,136,290	399,161
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Charter School	000-100-580	-	24,774	24,774	24,774	-
Tuition to Other LEAs Within the State - Special	000-100-562	149,509	(5,253)	144,256	144,256	-
Tuition to Private Schools for the Disabled - Within State	000-100-566	566,224	(19,520)	546,704	449,460	97,244
Total Undistributed Expenditures - Instruction:		715,733	1	715,734	618,490	97,244
Undist. Expend. - Health Services						
Salaries	000-213-100	183,230	11,196	194,426	193,551	875
Purchased Professional and Technical Services	000-213-300	291,475	(31,559)	259,916	220,202	39,714
Supplies and Materials	000-213-600	6,318	2,220	8,538	8,412	126
Total Undistributed Expenditures - Health Services		481,023	(16,143)	464,880	422,165	40,715
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100	405,785	(5,311)	400,474	362,488	37,986
Purchased Professional - Educational Services	000-216-320	110,500	28,253	138,753	79,793	58,960
Supplies and Materials	000-216-600	4,761	653	5,414	4,614	800
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		521,046	23,595	544,641	446,895	97,746
Undist. Expend. - Other Supp. Serv. Students-Reg.						
Salaries of Other Professional Staff	000-218-104	137,808	1,533	139,341	131,079	8,262
Salaries of Secretarial and Clerical Assistants	000-218-105	63,421	-	63,421	63,198	223
Supplies and Materials	000-218-600	2,414	-	2,414	1,829	585
Total Undist. Expend. - Other Supp. Serv. Students-Reg.		203,643	1,533	205,176	196,106	9,070
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	419,497	(8,064)	411,433	370,192	41,241
Salaries of Secretarial and Clerical Assistants	000-219-105	43,034	1,097	44,131	44,131	-
Purchased Professional - Educational Services	000-219-320	34,560	14,274	48,834	43,153	5,671
Supplies and Materials	000-219-600	2,232	99	2,331	2,331	-
Other Objects	000-219-800	15,090	-	15,090	14,538	552
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		514,403	7,406	521,809	474,345	47,464
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	42,840	-	42,840	42,840	-
Salaries of Other Professional Staff	000-221-104	43,000	(8,603)	34,397	34,155	242
Purchased Prof. Educational Services	000-221-320	-	1,245	1,245	1,245	-
Supplies and Materials	000-221-600	2,000	6,442	8,442	8,442	-
Total Undist. Expend. - Improvement of Inst. Serv.		87,840	(916)	86,924	86,682	242
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	176,524	(18,442)	158,082	153,677	4,405
Other Purchased Services (400-500 series)	000-222-500	55,080	-	55,080	55,080	-
Supplies and Materials	000-222-600	21,445	29,711	51,156	21,120	30,036
Total Undist. Expend. - Edu. Media Serv./Sch. Library		253,049	11,269	264,318	229,877	34,441
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	15,200	615	15,815	13,081	2,734
Other Purchased Services (400-500 series)	000-223-500	20,900	-	20,900	15,294	5,606
Total Undist. Expend. - Instructional Staff Training Serv.		36,100	615	36,715	28,375	8,340
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	240,228	-	240,228	240,061	167
Legal Services	000-230-331	45,000	(18,156)	26,844	25,038	1,806
Auditing Services	000-230-332	17,000	(197)	16,803	16,700	103
Other Purchased Professional Services	000-230-339	17,000	8,938	25,938	15,140	10,798
Communications/Telephone	000-230-530	56,350	11,397	66,747	64,773	1,974
Other Purchased Services (400-500 series)	000-230-590	71,637	(970)	70,667	69,135	1,532
Total Undist. Expend. - Supp. Serv. - General Admin.		446,215	1,012	447,227	430,847	16,380
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	578,948	-	578,948	578,887	61
Salaries of Other Professional Staff	000-240-104	177,615	(1,641)	175,974	175,974	-
Supplies and Materials	000-240-600	13,443	(5,022)	8,421	7,662	739
Other Objects	000-240-800	5,688	-	5,688	5,259	429
Total Undist. Expend. - Support Serv. - School Admin.		775,694	(6,663)	769,031	767,802	1,229
Undist. Expend. - Central School Admin.						
Salaries	000-251-100	282,988	-	282,988	282,988	-
Other Purchased Services (400-500 series)	000-251-592	27,491	3,650	31,141	31,118	23
Total Undist. Expend. - Central School Admin.		310,479	3,650	314,129	314,106	23
Undist. Expend. - Technology Admin.						
Other Purchased Services (400-500 series)	000-252-500	91,985	10,915	102,900	93,900	9,000
General Supplies	000-252-600	53,050	5,641	58,691	58,691	-
		145,035	16,556	161,591	152,591	9,000

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual- Budgetary Basis	Variance Final to Actual
Undist. Expend. - Required Maint. for Sch. Facil.						
Cleaning, Repair and Maintenance Services	000-261-420	\$ 224,749	\$ 56,206	\$ 280,955	\$ 267,626	\$ 13,329
General Supplies	000-261-610	15,450	7,338	22,788	9,537	13,251
Total Undist. Expend. - Required Maint. for Sch. Facil.		240,199	63,544	303,743	277,163	26,580
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	710,467	(16,322)	694,145	690,769	3,376
Salaries of Non-Instructional Aides	000-262-107		29,571	29,571	28,820	751
Cleaning, Repair and Maintenance Services	000-262-420	15,550	66,703	82,253	24,640	57,613
Rental of Land and Building, Other Than Lease Purchase Agreement	000-262-441	70,000	-	70,000	58,333	
Insurance	000-262-520	99,000	(1,219)	97,781	94,375	3,406
General Supplies	000-262-610	76,421	26,722	103,143	92,778	10,365
Energy (Energy and Electricity)	000-262-620	549,000	(101,779)	447,221	355,764	91,457
Other Objects	000-262-800	37,390	-	37,390	36,877	513
Total Undist. Expend. - Other Oper. & Maint. Of Plant		1,557,828	3,676	1,561,504	1,382,356	179,148
Undist. Expend. - Care & Upkeep of Grounds						
Purchased Professional and Technical Services	000-263-300	70,000	(39,340)	30,660	30,660	-
Total Care and Upkeep of Grounds		70,000	(39,340)	30,660	30,660	-
Undist. Expend. - Student Transportation Serv.						
Salaries of Non-Instructional Aides	000-270-107	\$ 31,050	5,717.00	\$ 36,767	\$ 36,767	-
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-161	124,135	13,267.00	137,422	137,422	-
Management Fees - ESC & CTSA Transportation Programs	000-270-350	12,000	-	12,000	10,011	1,989
Cleaning, Repair and Maintenance Services	000-270-420	25,900	(2,057)	23,843	12,498	11,355
Rental Payments - School Buses	000-270-442	500	-	500	-	500
Contracted Services (Between Home and School) - Vendors	000-270-511	838,887	(23,971)	814,916	802,073	12,843
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	12,150	-	12,150	8,929	3,221
Contracted Services (Special Education Students) - Vendors	000-270-514	210,000	-	210,000	195,608	14,392
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	100,000	-	100,000	81,833	18,167
Contracted Services - Aid In Lieu of Payments-Non Public Schools	000-270-503	60,000	1,880	61,880	61,880	-
Transportation Supplies	000-270-615	21,600	(247)	21,353	17,442	3,911
Total Undist. Expend. - Student Transportation Serv.		1,436,222	(5,391)	1,430,831	1,364,453	66,378
ALLOCATED BENEFITS						
Preschool/Kindergarten - Salaries of Teachers	110-100-270	1,407,914	(1,313,058)	94,856	92,940	1,916
Grades 1-5 - Salaries of Teachers	120-100-270	482,526	219,477	702,003	702,003	-
Grades 6-8 - Salaries of Teachers	130-100-270	-	580,269	580,269	552,566	27,703
Special Education - Multiple Disabilities	212-100-270	-	39,261	39,261	36,891	2,370
Special Education - Resource Room	213-100-270	-	315,785	315,785	315,785	-
Special Education - Preschool Disabilities	215-100-270	-	32,908	32,908	32,908	-
Basic Skills	230-100-270	-	76,589	76,589	65,180	11,409
Bilingual Education	240-100-270	-	25,344	25,344	24,444	900
Health Services	000-213-270	41,382	(767)	40,615	40,615	-
Other Support Services - Related Services	000-216-270	99,078	(1,185)	97,893	92,723	5,170
Other Support Services - Regular	000-218-270	49,133	(1,532)	47,601	46,276	1,325
Other Support Services - Special	000-219-270	112,933	6,110	119,043	119,043	-
Improvement of Instructional Services	000-221-270	10,460	-	10,460	10,242	218
Media Services	000-222-270	42,661	-	42,661	40,154	2,507
General Administration	000-230-270	58,655	(1,524)	57,131	56,387	744
School Administration	000-240-270	182,528	4,057	186,585	186,585	-
Central services	000-251-270	69,095	(2,098)	67,007	67,007	-
Operation and Maintenance of Plant	000-250-270	166,145	(6,480)	159,665	157,447	2,218
Pupil Transportation	000-270-270	37,890	5,390	43,280	43,280	-
TOTAL ALLOCATED BENEFITS		2,760,400	(21,444)	2,738,956	2,682,476	56,480
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	242,000	(2,347)	239,653	239,653	-
Other Retirement Contributions - Regular	000-291-241	240,000	(8,441)	231,559	227,236	4,323
Workmen's Compensation	000-291-260	115,000	(28,390)	86,610	86,610	-
Health Benefits	000-291-270	11,200	5,550	16,750	13,478	3,272
Tuition Reimbursement	000-291-280	40,000	(12,768)	27,232	23,173	4,059
Other Employee Benefits	000-291-290	54,000	(5,041)	48,959	42,480	6,479
TOTAL UNALLOCATED BENEFITS		702,200	(51,437)	650,763	632,630	18,133
On-behalf TPAF pension Contributions (non-budgeted)					888,383	(888,383)
Reimbursed TPAF Social Security Contributions (non-budgeted)					617,913	(617,913)
TOTAL ON-BEHALF CONTRIBUTIONS					1,506,296	(1,506,296)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		3,462,600	(72,881)	3,389,719	4,821,402	(1,431,683)
TOTAL UNDISTRIBUTED EXPENDITURES		11,257,109	(10,477)	11,246,632	12,044,315	(797,683)
TOTAL GENERAL CURRENT EXPENSE		19,772,571	9,512	19,782,083	20,180,605	(398,522)
CAPITAL OUTLAY						
Equipment						
Regular Programs - Instruction:						
Grades 1-5	120-100-730		10,740	10,740		10,740
Grades 6-8	130-100-730		65,745	65,745	36,023	29,722
Special Education - Instruction:						
Undist. Expend.-Support Serv.-Students - Special	000-219-730		51,437	51,437	51,437	-
Undistributed Expenditures - Operation of Plant Services	000-260-730		4,398	4,398	4,298	100
Undistributed Expenditures - Inst. EQ Sch	000-261-730		63,328	63,328	16,849	46,479
Total Equipment			195,648	195,648	108,607	87,041
Facilities Acquisition and Construction Services						
Other Purchased Professional and Technical Services	000-400-380	133,000	-	133,000	130,432	2,568
Other Objects	000-400-800	42,595	-	42,595	42,595	-
Total Facilities Acquisition and Construction Services		175,595	-	175,595	173,027	2,568
Assets Acquired Under Capital Leases (non-budgeted)						
Undistributed Expenditures:						
General Administration		-	-	-	260,000	(260,000)
Assets Acquired Under Capital Leases (non-budgeted)					260,000	(260,000)
TOTAL CAPITAL OUTLAY		175,595	195,648	371,243	541,634	(170,391)

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012
(Concluded)

		Original Budget	Budget Transfers	Final Budget	Actual- Budgetary Basis	Variance Final to Actual
SPECIAL SCHOOLS						
Summer School - Instruction						
Salaries of Teachers	422-100-101	\$ 109,680	\$ 13,379	\$ 123,059	\$ 123,059	\$ -
Purchased Professional and Technical Services	422-100-300	16,900	(7,684)	11,216		11,216
General Supplies	422-100-610	4,500		4,500	3,884	616
Total Summer School - Instruction		<u>133,080</u>	<u>5,695</u>	<u>138,775</u>	<u>126,943</u>	<u>11,832</u>
Total Summer School		<u>133,080</u>	<u>5,695</u>	<u>138,775</u>	<u>126,943</u>	<u>11,832</u>
TOTAL SPECIAL SCHOOLS		<u>133,080</u>	<u>5,695</u>	<u>138,775</u>	<u>126,943</u>	<u>11,832</u>
TOTAL EXPENDITURES		<u>20,081,246</u>	<u>210,855</u>	<u>20,292,101</u>	<u>20,849,182</u>	<u>(557,081)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		(119,423)	(210,855)	(330,278)	1,223,052	1,553,330
Other Financing (Uses):						
Capital Leases (non-budgeted)					260,000	260,000
Total Other Financing (Uses)		-	-	-	260,000	260,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)		(119,423)	(210,855)	(330,278)	1,483,052	1,813,330
Fund Balance, July 1		<u>2,535,057</u>	-	<u>2,535,057</u>	<u>2,535,057</u>	-
Fund Balance, June 30		<u>\$ 2,415,634</u>	<u>\$ (210,855)</u>	<u>\$ 2,204,779</u>	<u>\$ 4,018,109</u>	<u>\$ 1,813,330</u>
Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses) :						
Increase in Capital Reserve		\$ 10,000	\$ -	\$ 10,000	\$ 510,000	\$ 500,000
Increase in Maintenance Reserve				-	200,000	200,000
Withdrawal from Maintenance Reserve					(6,971)	(6,971)
Budgeted Fund Balance		<u>(128,423)</u>	<u>(210,855)</u>	<u>(340,278)</u>	<u>780,023</u>	<u>1,120,301</u>
Total		<u>\$ (119,423)</u>	<u>\$ (210,855)</u>	<u>\$ (330,278)</u>	<u>\$ 1,483,052</u>	<u>\$ 1,813,330</u>
Analysis of Fund Balance June 30, 2012:						
Assigned Fund Balance:						
Encumbrances					\$ 386,036	
Restricted Fund Balance:						
Excess Surplus-Current Year					617,339	
Excess Surplus - Designated for Subsequent Year's Expenditures					521,416	
Capital Reserve Account					1,504,735	
Maintenance Reserve Account					393,029	
Unassigned Fund Balance					<u>595,554</u>	
					<u>\$ 4,018,109</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:						
Fund Balance June 30, 2012					\$ 4,018,109	
Last Current Year State Aid Payment Not Realized on GAAP Basis					<u>(80,958)</u>	
					<u>\$ 3,937,151</u>	

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
EDUCATION JOBS FUND PROGRAM
Budget and Actual
Fiscal Year Ended June 30, 2012

		<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:						
Federal Sources:						
Education Jobs Fund		<u>\$50,005.00</u>	<u>\$ 1,567.00</u>	<u>\$ 51,572.00</u>	<u>\$ 51,572.00</u>	<u>\$ -</u>
Total Revenues		<u>50,005.00</u>	<u>1,567.00</u>	<u>51,572.00</u>	<u>51,572.00</u>	<u>-</u>
EXPENDITURES:						
Current Expense:						
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	<u>50,005.00</u>	<u>(4,941.00)</u>	<u>45,064.00</u>	<u>45,064.00</u>	<u>-</u>
Total Basic Skills/Remedial - Instruction		<u>50,005.00</u>	<u>(4,941.00)</u>	<u>45,064.00</u>	<u>45,064.00</u>	<u>-</u>
ALLOCATED BENEFITS						
Basic Skills	230-100-270		<u>6,508.00</u>	<u>6,508.00</u>	<u>6,508.00</u>	<u>-</u>
TOTAL ALLOCATED BENEFITS		<u>-</u>	<u>6,508.00</u>	<u>6,508.00</u>	<u>6,508.00</u>	<u>-</u>
TOTAL EXPENDITURES		<u>\$50,005.00</u>	<u>\$ 1,567.00</u>	<u>\$ 51,572.00</u>	<u>\$ 51,572.00</u>	<u>\$ -</u>

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 101,000	\$(18,594)	\$ 82,406	\$ 72,051	\$(10,355)
Federal Sources	398,950	55,920	454,870	428,186	(26,684)
Local Sources	<u>65,000</u>	<u>1,353</u>	<u>66,353</u>	<u>51,471</u>	<u>(14,882)</u>
Total Revenues	<u>564,950</u>	<u>38,679</u>	<u>603,629</u>	<u>551,708</u>	<u>(51,921)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	218,358	(196,758)	21,600	21,600	-
Purchased Professional and Technical Services	21,448	168,552	190,000	189,900	100
Other Purchased Services (400-500 series)	103,000	19,907	122,907	110,552	12,355
General Supplies	<u>77,229</u>	<u>4,449</u>	<u>81,678</u>	<u>62,380</u>	<u>19,298</u>
Total Instruction	<u>420,035</u>	<u>(3,850)</u>	<u>416,185</u>	<u>384,432</u>	<u>31,753</u>
Support Services					
Personal Services - Employee Benefits	-	3,164	3,164	3,164	-
Purchased Professional and Technical Services	37,000	(6,985)	30,015	30,015	-
Purchased Professional - Educational Services	10,000	8,456	18,456	18,026	430
Other Purchased Services (400-500 series)	-	2,000	2,000	1,172	828
Supplies & Materials	<u>97,915</u>	<u>(17,110)</u>	<u>80,805</u>	<u>64,811</u>	<u>15,994</u>
Total Support Services	<u>144,915</u>	<u>(10,475)</u>	<u>134,440</u>	<u>117,188</u>	<u>17,252</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	53,004	53,004	50,088	2,916
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>53,004</u>	<u>53,004</u>	<u>50,088</u>	<u>2,916</u>
Total Expenditures	<u>564,950</u>	<u>38,679</u>	<u>603,629</u>	<u>551,708</u>	<u>51,921</u>
Total Outflows	<u>\$ 564,950</u>	<u>\$ 38,679</u>	<u>\$ 603,629</u>	<u>\$ 551,708</u>	<u>\$ 51,921</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1] & [C-2]	\$ 22,072,234	\$ 551,708
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		(57,955)	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	(3,947)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 22,014,279</u>	<u>\$ 547,761</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] & [C-2]	\$ 20,849,182	\$ 551,708
Differences - budget to GAAP			
Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		-	(3,947)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 20,849,182</u>	<u>\$ 547,761</u>

OTHER SUPPLEMENTARY INFORMATION

Section D
SCHOOL LEVEL SCHEDULES

NOT APPLICABLE

Section E
SPECIAL REVENUE FUND

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES					
State Sources		\$ 72,051	\$72,051	\$ -	\$ -
Federal Sources		428,186	-	428,186	-
Local Sources		51,471	-	-	51,471
Total Revenues		<u>551,708</u>	<u>72,051</u>	<u>428,186</u>	<u>51,471</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	21,600		21,600	
Purchased Professional and Technical Services	100-300	189,900		189,900	
Other Purchased Services-					
(400-500 series)	100-500	110,552	22,552	88,000	
General Supplies	100-600	62,380	20,384	41,996	-
Total Instruction		<u>384,432</u>	<u>42,936</u>	<u>341,496</u>	<u>-</u>
Support Services:					
Personal Services - Employee Benefits	200-200	3,164		3,164	-
Purchased Professional and					
Technical Services	200-300	30,015	29,115	900	
Purchased Professional -					
Educational Services	200-320	18,026	-	18,026	
Other Purchased Services-					
(400-500 series)	200-500	1,172		1,172	
Supplies and Materials	200-600	64,811	-	13,340	51,471
Total Support Services		<u>117,188</u>	<u>29,115</u>	<u>36,602</u>	<u>51,471</u>
Facilities Acquisition and Const. Serv.:					
Instructional Equipment	400-731	50,088.00	-	50,088.00	-
Total Facilities Acquisition and Const. Serv.		<u>50,088.00</u>	<u>-</u>	<u>50,088.00</u>	<u>-</u>
Total Expenditures		<u>\$ 551,708</u>	<u>\$ 72,051</u>	<u>\$ 428,186</u>	<u>51,471</u>

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund**

**Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012**

		<u>Total</u>	<u>N.J. Nonpublic Textbook Aid</u>	<u>N.J. Nonpublic Auxiliary Services</u>	<u>N.J. Nonpublic Handicapped Services</u>	<u>N.J. Nonpublic Nursing Services</u>
REVENUES						
State Sources		<u>\$ 72,051</u>	<u>\$20,384</u>	<u>\$ 804</u>	<u>\$ 21,748</u>	<u>\$29,115</u>
Total State Revenues		<u>72,051</u>	<u>20,384</u>	<u>804</u>	<u>21,748</u>	<u>29,115</u>
EXPENDITURES:						
Instruction:						
Other Purchased Services	100-500	22,552		804	21,748	
General Supplies	100-600	<u>20,384</u>	<u>20,384</u>	<u>-</u>	<u>-</u>	
Total Instruction		<u>42,936</u>	<u>20,384</u>	<u>804</u>	<u>21,748</u>	
Support Services:						
Purchased Professional and Technical Services	200-300	<u>29,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,115</u>
Total Support Services		<u>29,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,115</u>
Total Expenditures		<u>\$ 72,051</u>	<u>\$20,384</u>	<u>\$ 804</u>	<u>\$ 21,748</u>	<u>\$ 29,115</u>

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

				N.C.L.B.		I.D.E.A. Part B			
				<u>Total</u>	<u>Title I</u>	<u>Title II</u>	<u>Title IV</u>	<u>Basic</u>	<u>Preschool</u>
REVENUES									
Federal Sources				<u>\$428,186</u>	<u>\$27,495</u>	<u>\$29,223</u>	<u>\$ 17</u>	<u>\$ 351,484</u>	<u>\$ 19,967</u>
Total Federal Revenues				<u>428,186</u>	<u>27,495</u>	<u>29,223</u>	<u>17</u>	<u>351,484</u>	<u>19,967</u>
EXPENDITURES:									
Instruction:									
Personal Services - Salaries	100-100	21,600	21,600						
Purchased Professional and Technical Services	100-300	189,900						189,900	
Other Purchased Services (400-500 series)	100-500	88,000						88,000	
General Supplies	100-600	<u>41,996</u>	<u>2,731</u>					<u>22,981</u>	<u>16,284</u>
Total Instruction		<u>341,496</u>	<u>24,331</u>					<u>300,881</u>	<u>16,284</u>
Support Services:									
Personal Services - Employee Benefits	200-200	3,164	3,164						
Purchased Professional and Technical Services	200-300	900	-		900				
Purchased Professional - Educational Services	200-320	18,026			15,000			3,026	
Other Purchased Services (400-500 series)	200-500	1,172						1,172	
Supplies and Materials	200-600	<u>13,340</u>	<u>-</u>		<u>13,323</u>	<u>17</u>		<u>-</u>	
Total Support Services		<u>36,602</u>	<u>3,164</u>		<u>29,223</u>	<u>17</u>		<u>4,198</u>	
Facilities Acquisition and Const. Serv.:									
Instructional Equipment	400-731	<u>50,088</u>	<u>-</u>		<u>-</u>	<u>-</u>		<u>46,405</u>	<u>3,683</u>
Total Facilities Acquisition and Const. Serv.		<u>50,088</u>	<u>-</u>		<u>-</u>	<u>-</u>		<u>46,405</u>	<u>3,683</u>
Total Expenditures				<u>\$428,186</u>	<u>\$27,495</u>	<u>\$29,223</u>	<u>\$ 17</u>	<u>\$ 351,484</u>	<u>\$ 19,967</u>

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

		<u>Total</u>	<u>Various Local</u>
REVENUES			
Local Sources		\$ 51,471	\$ 51,471
Total Local Revenues		<u>\$ 51,471</u>	<u>\$ 51,471</u>
EXPENDITURES:			
Support Services:			
Supplies & Materials	200-600	\$ 51,471	\$ 51,471
Total Support Services		<u>\$ 51,471</u>	<u>\$ 51,471</u>
Total Expenditures		<u>\$ 51,471</u>	<u>\$ 51,471</u>

Section F
CAPITAL PROJECTS FUND

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
 Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2012

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2012
			Prior Years	Current Year	
Various Additions and Renovations to Bragg Elementary School	6/15/2005	\$ 7,010,000	\$ 6,983,918	\$ -	\$ 26,082
Various Additions and Renovations to Dickerson Elementary School	6/15/2005	10,650,000	10,608,108	-	41,892
Various Additions and Renovations to Black River Middle School	6/15/2005	5,090,000	5,067,969	-	22,031
Energy Performance Contract - Bragg School	5/8/2006	858,186	846,891	-	11,295
Energy Performance Contract - Dickerson School	5/8/2006	139,936	137,745	-	2,191
Energy Performance Contract - Black River Middle School	5/8/2006	1,102,586	1,088,416	-	14,170
Door Replacement Project	1/26/2009	170,100	84,458	-	85,642
Paving Project	7/1/2009	85,000	75,467	8,715	818
Solar Panel Project	7/1/2009	200,000	-	-	200,000
Fiber Optic Project	7/1/2010	100,000	98,280	-	1,720
Roof Replacement Project	4/11/2011	179,748	-	143,992	35,756
Totals		<u>\$25,585,556</u>	<u>\$24,991,252</u>	<u>\$ 152,707</u>	<u>\$441,597</u>
			Fund Balance		440,609
			Authorized but not Issued		988
					<u>\$441,597</u>

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2012**

REVENUES AND OTHER FINANCING SOURCES

State Sources - SCC Grant	\$ -
Transfer from Capital Reserve	<u>-</u>
Total Revenues	<u>-</u>

EXPENDITURES AND OTHER FINANCING USES

Other Purchased Professional and Technical Services (390)	-
Construction Services (450)	<u>152,707.00</u>
Total Expenditures	<u>152,707.00</u>

Excess (deficiency) of revenues over (under) expenditures	(152,707)
Fund Balance - July 1	<u>593,316</u>
Fund Balance - June 30	<u>\$ 440,609</u>

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Bragg Elementary School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 1,664,887	\$ -	\$ 1,664,887	\$ 1,664,887
Bond Proceeds	5,345,000	-	5,345,000	5,345,000
Total Revenues	<u>7,009,887</u>	<u>-</u>	<u>7,009,887</u>	<u>7,009,887</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	722,231	-	722,231	736,050
Construction Services (450)	5,931,425	-	5,931,425	5,923,450
Other Objects (800)	330,262	-	330,262	350,500
Total Expenditures	<u>6,983,918</u>	<u>-</u>	<u>6,983,918</u>	<u>7,010,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 25,969</u>	<u>\$ -</u>	<u>\$ 25,969</u>	<u>\$ (113)</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-030-04-0ABA			
Grant Date	6/15/05			
Bond Authorization Date	12/14/04			
Bonds Authorized	\$ 5,345,113			
Bonds Issued	\$ 5,345,000			
Original Authorized Cost	\$ 7,010,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 7,010,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	99.63%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Dickerson Elementary School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 2,522,133	\$ -	\$2,522,133	\$ 2,522,133
Bond Proceeds	8,127,000	-	8,127,000	8,127,000
Total Revenues	<u>10,649,133</u>	<u>-</u>	<u>10,649,133</u>	<u>10,649,133</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	1,107,379	-	1,107,379	1,118,250
Construction Services (450)	8,998,863	-	8,998,863	8,999,250
Other Objects (800)	501,866	-	501,866	532,500
Total Expenditures	<u>10,608,108</u>	<u>-</u>	<u>10,608,108</u>	<u>10,650,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 41,025</u>	<u>\$ -</u>	<u>\$ 41,025</u>	<u>\$ (867)</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-040-04-OACI			
Grant Date	6/15/05			
Bond Authorization Date	12/14/04			
Bonds Authorized	\$ 8,127,867			
Bonds Issued	\$ 8,127,000			
Original Authorized Cost	\$ 10,650,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 10,650,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	99.61%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Black River Middle School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 1,331,992	\$ -	\$ 1,331,992	\$ 1,331,992
Bond Proceeds	<u>3,758,000</u>	<u>-</u>	<u>3,758,000</u>	<u>3,758,000</u>
Total Revenues	<u>5,089,992</u>	<u>-</u>	<u>5,089,992</u>	<u>5,089,992</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	526,778	-	526,778	534,450
Construction Services (450)	4,301,430	-	4,301,430	4,301,050
Other Objects (800)	<u>239,761</u>	<u>-</u>	<u>239,761</u>	<u>254,500</u>
Total Expenditures	<u>5,067,969</u>	<u>-</u>	<u>5,067,969</u>	<u>5,090,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 22,023</u>	<u>\$ -</u>	<u>\$ 22,023</u>	<u>\$ (8)</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-020-04-OACH			
Grant Date	6/15/05			
Bond Authorization Date	12/14/04			
Bonds Authorized	\$ 3,758,008			
Bonds Issued	\$ 3,758,000			
Original Authorized Cost	\$ 5,090,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 5,090,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	99.57%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Bragg School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 652,536	\$ -	\$ 652,536	\$ 652,536
Transfer from Capital Reserve	205,650	-	205,650	205,650
Total Revenues	<u>858,186</u>	<u>-</u>	<u>858,186</u>	<u>858,186</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	10,598		10,598	12,000
Construction Services (450)	825,745	-	825,745	830,000
Other Objects (800)	10,548	-	10,548	16,186
Total Expenditures	<u>846,891</u>	<u>-</u>	<u>846,891</u>	<u>858,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 11,295</u>	<u>\$ -</u>	<u>\$ 11,295</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-030-05-OAZM			
Grant Date	5/8/06			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 858,186			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 858,186			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	98.68%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Dickerson School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 106,786	\$ -	\$ 106,786	\$ 106,786
Transfer from Capital Reserve	<u>33,150</u>	<u>-</u>	<u>33,150</u>	<u>33,150</u>
Total Revenues	<u>139,936</u>	<u>-</u>	<u>139,936</u>	<u>139,936</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	1,708		1,708	3,494
Construction Services (450)	134,336	-	134,336	134,446
Other Objects (800)	<u>1,701</u>	<u>-</u>	<u>1,701</u>	<u>1,996</u>
Total Expenditures	<u>137,745</u>	<u>-</u>	<u>137,745</u>	<u>139,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,191</u>	<u>\$ -</u>	<u>\$ 2,191</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-040-05-OAZN			
Grant Date	5/8/06			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 139,936			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 139,936			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	98.43%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Black River Middle School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 841,386	\$ -	\$ 841,386	\$ 841,386
Transfer from Capital Reserve	261,200	-	261,200	261,200
Total Revenues	<u>1,102,586</u>	<u>-</u>	<u>1,102,586</u>	<u>1,102,586</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	13,462		13,462	20,259
Construction Services (450)	1,061,558	-	1,061,558	1,067,198
Other Objects (800)	13,396	-	13,396	15,129
Total Expenditures	<u>1,088,416</u>	<u>-</u>	<u>1,088,416</u>	<u>1,102,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 14,170</u>	<u>\$ -</u>	<u>\$ 14,170</u>	<u>\$ (0)</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	0820-020-05-OAZL			
Grant Date	5/8/06			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 1,102,586			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 1,102,586			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	98.71%			
Original Target Completion Date	9/1/07			
Revised Target Completion Date	9/1/07			

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Door Replacement Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 68,040	\$ -	\$ 68,040	\$ 68,040
Transfer from Capital Reserve	102,060	-	102,060	102,060
Total Revenues	<u>170,100</u>	<u>-</u>	<u>170,100</u>	<u>170,100</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	
Construction Services (450)	84,458		84,458	170,100
Other Objects (800)	-	-	-	-
Total Expenditures	<u>84,458</u>	<u>-</u>	<u>84,458</u>	<u>170,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 85,642</u>	<u>\$ -</u>	<u>\$ 85,642</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number				
Grant Date	1/26/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 170,100			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 170,100			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	49.65%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	9/1/09			

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Paving Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ -	\$ -	\$ -
Transfer from Capital Reserve	85,000	-	85,000	85,000
Total Revenues	<u>85,000</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	
Construction Services (450)	75,467	8,715	84,182	85,000
Other Objects (800)	-	-	-	-
Total Expenditures	<u>75,467</u>	<u>8,715</u>	<u>84,182</u>	<u>85,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,533</u>	<u>\$ (8,715)</u>	<u>\$ 818</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 85,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 85,000			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	99.04%			
Original Target Completion Date	9/1/10			
Revised Target Completion Date	9/1/10			

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Solar Panel Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ -	\$ -	\$ -
Transfer from Capital Reserve	200,000	-	200,000	200,000
Total Revenues	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	15,000
Construction Services (450)			-	185,000
Other Objects (800)	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$200,000</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 200,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 200,000			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	0.00%			
Original Target Completion Date	9/1/11			
Revised Target Completion Date	9/1/11			

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Fiber Optic Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ -	\$ -	\$ -
Transfer from Capital Reserve	100,000	-	100,000	100,000
Total Revenues	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	500	-	500	2,220
Construction Services (450)	97,780	-	97,780	97,780
Other Objects (800)	-	-	-	-
Total Expenditures	<u>98,280</u>	<u>-</u>	<u>98,280</u>	<u>100,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,720</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 100,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 100,000			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	98.28%			
Original Target Completion Date	9/1/11			
Revised Target Completion Date	9/1/11			

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Roof Replacement Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ -	\$ -	\$ -
Transfer from Capital Reserve	179,748	-	179,748	179,748
Total Revenues	<u>179,748</u>	<u>-</u>	<u>179,748</u>	<u>179,748</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	10,000
Construction Services (450)		143,992	143,992	169,748
Other Objects (800)	-	-	-	-
Total Expenditures	<u>-</u>	<u>143,992</u>	<u>143,992</u>	<u>179,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 179,748</u>	<u>\$ (143,992)</u>	<u>\$ 35,756</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 179,748			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 179,748			
	-			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	80.11%			
Original Target Completion Date	9/1/11			
Revised Target Completion Date	9/1/11			

Section G
PROPRIETARY FUNDS
NOT APPLICABLE

ENTERPRISE FUND

Section G
PROPRIETARY FUNDS

NOT APPLICABLE

INTERNAL SERVICE FUND

Section H
FIDUCIARY FUND

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

<u>Schools</u>	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Elementary Schools:				
Bragg School	\$ 5,494	\$ 14,770	\$ 14,171	\$ 6,093
Dickerson School	6,533	10,798	10,692	6,639
Middle School:				
Activity	32,727	140,410	134,160	38,977
Athletic	<u>-</u>	<u>6,091</u>	<u>6,091</u>	<u>-</u>
	<u>\$ 44,754</u>	<u>\$ 172,069</u>	<u>\$ 165,114</u>	<u>\$ 51,709</u>

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Payroll Deductions and Withholdings	\$ 66,505	\$ 4,600,906	\$ 4,588,984	\$ 78,427
Net Salaries and Wages	<u>-</u>	<u>7,555,120</u>	<u>7,555,120</u>	<u>-</u>
	<u>\$ 66,505</u>	<u>\$ 12,156,026</u>	<u>\$ 12,144,104</u>	<u>\$ 78,427</u>

Section I
LONG – TERM DEBT

100

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Long - Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2012

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Amount Outstanding June 30, 2011</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2012</u>
Technology Equipment	2.750%	\$ -	\$ 260,000	\$ 130,000	\$ 130,000
Technology Equipment	3.950%	<u>59,830</u>	<u>-</u>	<u>59,830</u>	<u>-</u>
		<u>\$ 59,830</u>	<u>\$ 260,000</u>	<u>\$ 189,830</u>	<u>\$ 130,000</u>

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,543,550	\$ -	\$ 1,543,550	\$ 1,543,550	\$ -
Total Revenues	<u>1,543,550</u>	<u>-</u>	<u>1,543,550</u>	<u>1,543,550</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds and Notes	873,550	-	873,550	873,550	-
Redemption of Principal	<u>670,000</u>	<u>-</u>	<u>670,000</u>	<u>670,000</u>	<u>-</u>
Total Regular Debt Service	<u>1,543,550</u>	<u>-</u>	<u>1,543,550</u>	<u>1,543,550</u>	<u>-</u>
Total Expenditures	<u>1,543,550</u>	<u>-</u>	<u>1,543,550</u>	<u>1,543,550</u>	<u>-</u>
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Recapitulation of (Deficiency) of Revenues and Other Financing Sources (Under) Expenditures					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION (Unaudited)

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2003.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets, Net of Related Debt										
Restricted	\$ 20,344,483	\$ 19,343,840	\$ 18,495,876	\$ 17,345,927	\$ 16,006,657	\$ 7,656,616	\$ (7,883,005)	\$ (9,544,835)	\$ 7,066,784	\$ (1,845,165)
Unrestricted	3,863,164	2,438,890	1,933,652	2,573,150	2,834,965	9,971,472	24,415,156	23,493,230	765,611	1,148,907
Total Governmental Activities Net Assets	<u>\$ 23,878,677</u>	<u>\$ 21,577,839</u>	<u>\$ 19,929,450</u>	<u>\$ 19,425,131</u>	<u>\$ 18,575,197</u>	<u>\$ 17,663,998</u>	<u>\$ 16,239,318</u>	<u>\$ 13,426,445</u>	<u>\$ 7,440,694</u>	<u>\$ (1,164,618)</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt										
Restricted	\$ 33,289	\$ 33,893	\$ 38,031	\$ -	\$ -	\$ -	\$ 2,405	\$ 5,549	\$ 8,683	\$ 11,837
Unrestricted	116,798	109,443	70,927	49,818	5,671	(5,051)	5,992	(7,085)	(5,598)	(3,440)
Total Business-Type Activities Net Assets	<u>\$ 150,087</u>	<u>\$ 143,336</u>	<u>\$ 108,958</u>	<u>\$ 49,818</u>	<u>\$ 5,671</u>	<u>\$ (5,051)</u>	<u>\$ 8,397</u>	<u>\$ (1,536)</u>	<u>\$ 3,085</u>	<u>\$ 8,397</u>
Government-Wide										
Invested in Capital Assets, Net of Related Debt										
Restricted	\$ 20,377,772	\$ 19,377,733	\$ 18,533,907	\$ 17,345,927	\$ 16,006,657	\$ 7,656,616	\$ (7,880,600)	\$ (9,539,286)	\$ 7,075,477	\$ (1,833,328)
Unrestricted	3,863,164	2,438,890	1,933,652	2,573,150	2,834,965	9,971,472	24,415,156	23,493,230	765,611	1,148,907
Total District Net Assets	<u>\$ 24,028,764</u>	<u>\$ 21,721,175</u>	<u>\$ 20,038,408</u>	<u>\$ 19,474,949</u>	<u>\$ 18,580,868</u>	<u>\$ 17,658,947</u>	<u>\$ 16,247,715</u>	<u>\$ 13,424,909</u>	<u>\$ 7,443,789</u>	<u>\$ (1,156,221)</u>

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
Instruction										
Regular	\$ 8,352,131	\$ 8,491,652	\$ 9,199,264	\$ 8,933,928	\$ 9,160,518	\$ 9,015,933	\$ 8,872,392	\$ 7,873,380	\$ 7,400,962	\$ 6,945,366
Special Education	2,640,462	2,580,749	2,494,809	2,159,785	2,031,051	2,034,703	1,759,510	1,588,215	1,579,576	1,462,866
Other Instruction	625,453	641,399	729,034	782,303	676,171	413,669	653,526	780,121	730,392	522,595
Support Services:										
Tuition	618,490	589,971	532,410	802,237	591,267	564,190	434,075	257,578	257,944	248,852
Student and Instruction Related Services	2,614,079	2,441,415	2,554,221	2,220,146	2,455,519	2,066,429	1,892,328	2,050,789	2,004,696	1,869,889
School Administrative Services	1,126,031	1,154,537	1,112,200	1,096,525	1,098,588	1,066,236	967,474	837,613	882,877	695,000
General and Business Admin. Services	1,312,986	1,294,430	1,292,089	1,249,974	1,191,434	1,204,802	1,178,877	1,119,458	875,424	855,428
Plant Operations and Maintenance	1,991,461	2,035,433	2,521,827	2,492,807	2,339,405	2,099,439	1,738,961	1,486,199	1,589,329	1,597,119
Pupil Transportation	1,466,222	1,404,699	1,487,340	1,441,215	1,373,043	1,531,072	1,201,575	1,076,408	1,037,098	941,691
Capital Outlay-Debt Service Assessment	42,595	73,244	-	-	-	-	-	-	-	-
Special Schools	150,368	171,127	211,100	169,245	153,935	153,024	163,256	136,024	83,758	76,057
Charter Schools	-	-	-	-	-	31,801	37,477	52,586	46,117	39,846
Interest on Long-Term Debt	864,475	891,533	917,284	1,084,748	963,788	990,954	950,665	599,262	338,755	351,779
Total Governmental Activities Expenses	21,804,753	21,770,189	23,051,578	22,432,911	22,034,718	21,172,252	19,851,116	17,857,633	16,826,928	15,606,498
Business-Type Activities:										
Food service	391,800	368,426	375,012	363,743	352,911	365,694	323,198	313,147	310,509	290,388
Total Business-Type Activities Expense	391,800	368,426	375,012	363,743	352,911	365,694	323,198	313,147	310,509	290,388
Total Government-Wide Expenses	\$22,196,553	\$22,138,615	\$23,426,590	\$22,796,654	\$22,387,629	\$21,537,946	\$20,174,314	\$18,170,780	\$17,137,437	\$15,896,886
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 213,034	\$ 129,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	3,997,063	3,759,445	4,205,571	4,570,388	4,454,772	4,334,019	3,709,813	3,240,051	2,913,988	2,657,091
Total Governmental Activities Program Revenues	4,210,097	3,888,895	4,205,571	4,570,388	4,454,772	4,334,019	3,709,813	3,240,051	2,913,988	2,657,091

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type Activities:										
Charges for Services										
Food Service	\$ 330,545	\$ 332,641	\$ 343,211	\$ 351,006	\$ 315,423	\$ 310,284	\$ 284,829	\$ 288,031	\$ 264,628	\$ 255,959
Operating Grants and Contributions	88,006	70,163	65,533	56,885	48,210	41,962	48,302	40,485	40,579	32,138
Total Business-Type Activities Program Revenues	398,551	402,804	408,744	407,891	363,633	352,246	333,131	308,516	305,207	288,097
Total Government-Wide Program Revenues	\$ 4,608,648	\$ 4,291,699	\$ 4,614,315	\$ 4,978,279	\$ 4,818,405	\$ 4,686,265	\$ 4,042,944	\$ 3,548,567	\$ 3,219,195	\$ 2,945,188
Net (Expense)/Revenue										
Governmental Activities	\$ (17,504,656)	\$ (17,881,294)	\$ (18,846,007)	\$ (17,862,523)	\$ (17,579,946)	\$ (16,838,233)	\$ (16,141,303)	\$ (14,617,582)	\$ (13,912,940)	\$ (12,949,407)
Business-Type Activities	6,751	34,378	33,732	44,148	10,722	(13,448)	9,933	(4,631)	(5,302)	(2,291)
Total Government-Wide Net Expense	\$ (17,507,905)	\$ (17,846,916)	\$ (18,812,275)	\$ (17,818,375)	\$ (17,569,224)	\$ (16,851,681)	\$ (16,131,370)	\$ (14,622,213)	\$ (13,918,242)	\$ (12,951,698)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	\$ 18,951,972	\$ 18,662,569	\$ 18,319,097	\$ 17,646,634	\$ 17,175,292	\$ 16,543,289	\$ 15,835,388	\$ 14,665,467	\$ 13,627,311	\$ 12,665,017
Property Taxes, Levied for Debt Service Principal	679,075	653,742	637,775	617,531	599,188	536,003	633,073	235,938	502,609	340,646
Federal and State Aid Not Restricted	100,018	11,861	73,820	108,986	213,316	174,426	118,167	116,915	115,090	158,358
Tuition (Other Than Special Schools)	-	-	105,546	132,147	86,172	67,064	89,950	57,385	30,125	137,881
Investment Earnings	55,281	33,893	61,874	51,397	339,279	903,288	659,876	237,487	19,778	22,230
Account Payable Canceled	-	-	31,759	-	-	-	-	-	-	-
Miscellaneous Income	109,148	106,224	120,455	156,162	77,898	38,824	7,014	16,119	47,113	96,824
N.J. Economic Development Authority Grants	-	-	-	-	-	-	1,610,708	5,519,012	(104,096)	288,134
Refunding Bond Proceeds	-	-	-	-	-	-	-	(245,000)	-	-
Total Governmental Activities	19,895,494	19,468,289	19,350,326	18,712,457	18,491,145	18,262,914	18,964,176	20,603,333	14,237,930	13,708,890
Business-Type Activities:										
Prior Year Adjustments	-	-	25,408	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	25,408	-	-	-	-	-	-	-
Total Government-Wide General Revenues	\$ 19,895,494	\$ 19,468,289	\$ 19,375,734	\$ 18,712,457	\$ 18,491,145	\$ 18,262,914	\$ 18,964,176	\$ 20,603,333	\$ 14,237,930	\$ 13,708,890
Change in Net Assets										
Governmental Activities	\$ 2,300,838	\$ 1,586,995	\$ 504,319	\$ 849,934	\$ 911,199	\$ 1,424,681	\$ 2,812,873	\$ 5,985,751	\$ 324,990	\$ 759,483
Business-Type Activities	6,751	34,378	59,140	44,148	10,722	(13,448)	9,933	(4,631)	(5,302)	(2,291)
Total Government-Wide Change in Net Assets	\$ 2,307,589	\$ 1,621,373	\$ 563,459	\$ 894,082	\$ 921,921	\$ 1,411,233	\$ 2,822,806	\$ 5,981,120	\$ 319,688	\$ 757,192

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Restricted	\$ 3,422,555	\$ 1,845,574	\$ 1,663,964	\$ 2,333,863	\$ 2,675,550	\$ 2,159,794	\$ 999,760	\$ 1,624,739	\$ 864,364	\$ 474,301
Unassigned	514,596	666,480	422,623	477,912	403,631	691,353	967,186	253,417	253,033	493,391
Total General Fund	\$ 3,937,151	\$ 2,512,054	\$ 2,086,587	\$ 2,811,775	\$ 3,079,181	\$ 2,851,147	\$ 1,966,946	\$ 1,878,156	\$ 1,117,397	\$ 967,692
All Other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,335,764	\$ 1,088,171	\$ -	\$ -
Unassigned, Reported In:										
Special Revenue Fund										(2,936)
Capital Projects Fund	440,609	593,316	269,688	239,287	477,981	8,139,430	4,773,836	21,147,147	-	720,352
Debt Service Fund	-	-	-	-	(2)	(2)	42,816	42,818	16	-
Total All Other Governmental Funds	\$ 440,609	\$ 593,316	\$ 269,688	\$ 239,287	\$ 477,979	\$ 8,139,428	\$ 23,152,416	\$ 22,278,136	\$ 16	\$ 717,416
Total Fund Balances	\$ 4,377,760	\$ 3,105,370	\$ 2,356,275	\$ 3,051,062	\$ 3,557,160	\$ 10,990,575	\$ 25,119,362	\$ 24,156,292	\$ 1,117,413	\$ 1,685,108

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Tax Levy	\$20,495,522	\$20,207,844	\$19,874,156	\$19,348,911	\$18,738,267	\$18,070,246	\$17,419,126	\$15,500,867	\$14,468,675	\$13,357,442
Tuition Charges	213,034	129,450	105,546	132,147	86,172	67,084	89,950	57,385	30,125	137,851
Transportation Fees	-	-	-	-	-	-	-	-	14,700	-
Interest Earnings	55,281	33,893	61,874	51,397	339,279	903,288	659,878	237,497	19,778	22,230
Miscellaneous	167,519	188,972	191,659	258,266	77,898	38,824	7,014	16,119	47,113	96,824
State Sources	2,705,323	2,363,774	2,566,594	3,126,933	3,358,368	3,190,923	2,572,642	2,492,294	2,401,806	2,062,362
Federal Sources	478,912	433,251	724,309	365,191	347,933	326,588	304,673	265,410	277,457	401,308
Total Revenues	24,105,591	23,357,184	23,524,138	23,282,845	22,945,917	22,596,933	21,053,281	18,569,372	17,259,654	16,077,847
Expenditures										
Instruction										
Regular Instruction	5,945,038	6,233,263	6,965,397	6,920,871	6,580,415	6,526,090	6,714,111	5,712,253	5,470,928	5,213,794
Special Education Instruction	1,957,584	1,959,198	1,951,489	1,689,625	1,505,247	1,433,182	1,347,537	1,229,159	1,186,067	1,033,964
Other Instruction	617,897	487,631	548,288	616,093	493,824	386,097	503,171	584,952	556,225	498,269
Support Services:										
Tuition	618,490	589,971	532,410	802,237	591,267	564,190	434,075	257,578	257,944	248,851
Student and Instruction Related Services	1,997,889	1,920,413	2,023,601	1,867,478	1,904,041	1,591,167	1,523,560	1,603,744	1,566,902	1,460,195
School Administrative Services	767,802	797,275	795,130	797,036	765,284	761,233	703,921	672,087	604,977	521,005
General and Business Administrative Services	897,544	912,222	933,686	903,297	915,099	928,898	894,146	859,539	794,597	678,829
Plant Operations and Maintenance	1,690,179	1,753,749	2,201,579	2,212,760	2,058,688	1,827,342	1,500,970	1,411,125	1,451,842	1,377,081
Pupil Transportation	1,364,463	1,319,740	1,407,374	1,385,334	1,313,042	1,462,458	1,205,938	1,036,617	1,005,499	910,302
Employee Benefits	4,821,402	4,489,815	4,797,724	4,282,656	4,695,463	4,489,185	3,638,828	3,431,332	3,279,441	2,875,315
Special Schools	126,943	149,292	182,248	147,147	128,188	127,875	121,788	100,869	83,757	76,087
Charter Schools	-	-	-	-	-	31,801	37,477	52,586	46,117	39,846
Capital Outlay	701,835	374,395	356,699	734,830	7,865,801	15,301,427	2,807,718	516,194	628,589	662,343
Capital Outlay-Debt Service Assessment	42,595	73,244	-	-	-	-	-	-	-	-
Debt Service:										
Principal	670,000	645,000	630,000	610,000	590,000	570,000	560,000	510,000	495,000	340,000
Interest and Other Charges	873,550	900,275	925,059	1,092,275	972,975	999,775	1,023,740	301,670	346,363	352,425
Total Expenditures	23,093,201	22,605,483	24,250,684	24,031,639	30,379,333	37,000,720	23,216,980	18,279,505	17,774,248	16,288,286
Excess (Deficiency) of Revenues over (under) Expenditures	1,012,390	751,701	(726,546)	(748,794)	(7,433,415)	(14,403,787)	(2,163,699)	289,867	(514,594)	(210,439)

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing sources (uses)										
N.J. Economic Development Authority Grants	-	-	-	-	-	-	1,610,708	5,519,012	(104,096)	288,134
Capital Leases (Non-Budgeted)	260,000	-	-	226,664	-	275,000	1,516,061	-	50,996	342,280
Accounts Payable Canceled	-	-	31,759	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	17,230,000	-	-
Transfers In	-	279,748	85,000	102,060	-	-	1,038,711	195,906	78,390	432,202
Transfers Out	-	(279,748)	(85,000)	(102,060)	-	-	(1,038,711)	(195,906)	(78,390)	(432,202)
Total Other Financing Sources (Uses)	260,000	-	31,759	226,664	-	275,000	3,126,769	22,749,012	(53,100)	630,414
Net Change in Fund Balances	\$ 1,272,390	\$ 751,701	\$ (694,787)	\$ (522,130)	\$ (7,433,415)	\$ (14,128,787)	\$ 963,070	\$ 23,038,879	\$ (567,694)	\$ 419,975
Debt Service as a Percentage of Noncapital Expenditures	6.89%	6.95%	6.51%	7.31%	6.94%	7.23%	7.76%	4.57%	4.91%	4.43%

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

<u>Fiscal Year Ending June 30,</u>	<u>Interest</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
2003	\$ 22,230	\$137,681	\$ 96,823	\$ 256,734
2004	19,778	30,125	61,813	111,716
2005	41,591	57,385	16,119	115,095
2006	121,165	89,950	7,014	218,129
2007	903,288	67,084	38,824	1,009,196
2008	339,279	86,172	77,898	503,349
2009	51,397	132,147	156,162	339,706
2010	61,874	105,546	120,455	287,875
2011	33,893	129,450	188,972	352,315
2012	55,281	213,034	109,148	377,463

Source: District records

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited**

CHESTER BOROUGH:

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002							-		289,651,888	266,217,038	0.784
2003							-		302,393,233	279,994,210	0.775
2004							-		304,200,284	295,408,587	0.801
2005	5,229,200	217,617,700	3,612,300	140,571,400		2,010,000	369,040,600	1,747,166	370,787,766	312,925,143	0.699
2006	7,949,000	239,618,900	3,972,800	165,277,300		2,214,500	419,032,500	2,010,392	421,042,892	387,402,977	0.684
2007	7,114,300	241,279,800	3,972,800	192,169,300		2,214,500	446,750,700	2,100,655	448,851,355	445,186,305	0.702
2008	5,466,500	245,143,100	1,354,500	198,742,100	-	2,214,500	452,920,700	2,432,737	455,353,437	467,628,961	0.717
2009	5,466,500	244,889,900	1,354,500	197,828,600	-	2,214,500	451,754,000	2,050,374	453,804,374	471,258,932	0.758
2010	4,875,000	213,961,800	1,224,600	165,600,100	-	1,914,100	387,575,600	1,705,656	389,281,256	468,704,509	0.916
2011	4,445,100	213,716,600	1,220,800	158,600,100		1,840,800	379,823,400	8,165	379,831,565	440,171,759	0.947

Source: Municipal Tax Assessor

CHESTER TOWNSHIP:

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002							-		925,556,206	1,281,282,862	1.180
2003							-		943,800,188	1,394,563,868	1.220
2004							-		971,424,626	1,568,530,336	1.290
2005	16,402,700	892,335,662	40,966,380	29,388,100	1,930,000	353,400	981,376,242	1,354,657	982,730,899	1,688,282,341	1.414
2006	37,822,300	2,080,826,200	96,103,300	51,080,100	1,230,300	3,493,000	2,270,555,200	2,266,037	2,272,821,237	1,905,993,213	0.654
2007	33,925,400	2,072,231,633	96,399,200	52,360,000	3,493,000	-	2,258,408,233	2,120,659	2,260,529,892	2,131,841,434	0.678
2008	31,112,000	2,074,551,033	105,368,200	50,305,200	4,704,800	910,000	2,266,961,233	2,080,200	2,269,011,433	2,230,761,264	0.690
2009	28,337,400	2,059,943,433	106,972,300	51,086,800	5,163,700	910,000	2,247,415,933	1,868,749	2,249,284,682	2,195,682,116	0.719
2010	19,506,100	1,676,536,800	91,975,600	49,247,800	3,908,600	835,200	1,842,010,100	2,190,835	1,844,200,935	2,159,919,381	0.893
2011	18,576,400	1,670,362,000	92,916,400	49,731,900	3,908,600	835,200	1,836,330,500	2,179,636	1,838,510,136	2,063,339,316	0.912

Source: Municipal Tax Assessor

Note: Revaluation of property effective for 2006.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited**

CHESTER BOROUGH:

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	Open Space	County	
2002	0.784		0.784	0.559	0.475		0.262	2.080
2003	0.719	0.056	0.775	0.581	0.481		0.273	2.110
2004	0.737	0.064	0.801	0.687	0.457		0.295	2.240
2005	0.582	0.117	0.699	0.668	0.327		0.226	1.920
2006	0.626	0.058	0.684	0.601	0.294		0.231	1.810
2007	0.644	0.058	0.702	0.642	0.276		0.240	1.860
2008	0.655	0.062	0.717	0.661	0.275		0.239	1.892
2009	0.700	0.058	0.758	0.666	0.307	0.02	0.239	1.990
2010	0.847	0.069	0.916	0.806	0.363	0.035	0.241	2.361
2011	0.878	0.069	0.947	0.827	0.348	0.01	0.274	2.406

Source: Municipal Tax Collector

CHESTER TOWNSHIP:

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	Open Space	County	
2002	1.180		1.180	0.360	0.660		0.410	2.610
2003	1.164	0.056	1.220	0.380	0.730		0.430	2.760
2004	1.226	0.064	1.290	0.380	0.770		0.480	2.920
2005	1.297	0.117	1.414	0.434	0.784	0.02	0.458	3.110
2006	0.596	0.058	0.654	0.269	0.347	0.02	0.210	1.500
2007	0.620	0.058	0.678	0.313	0.372	0.046	0.181	1.590
2008	0.628	0.062	0.690	0.334	0.388	0.061	0.187	1.660
2009	0.661	0.058	0.719	0.347	0.396	0.020	0.222	1.704
2010	0.824	0.069	0.893	0.448	0.498	0.020	0.264	2.123
2011	0.843	0.069	0.912	0.468	0.514	0.021	0.266	2.181

Source: Municipal Tax Collector

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

CHESTER BOROUGH:

Fiscal Year Ended June 30,	2011			Fiscal Year Ended June 30,	2002		
	Taxable Assessed Value	% of Total District Net Assessed Value			Taxable Assessed Value	% of Total District Net Assessed Value	
Chester Springs LLC	\$ 34,533,100	9.09%		Chester Springs LLC	\$ 25,824,400	8.62%	
Confidential Chester LLC	26,000,000	6.85%		NS-MPG, Inc.	8,981,300	3.00%	
NS-MPG, Inc.	8,900,000	2.34%		Savro, LLC	6,161,500	2.06%	
Savro/Chester Shopping Mall	8,296,000	2.18%		Chester Franklin Assoc.	2,011,400	0.67%	
Williamson Associates	4,413,400	1.16%		Turkey Farm Acquisition	1,920,100	0.64%	
95 W Main Assoc	3,698,500	0.97%		Individual Taxpayer	1,927,800	0.64%	
Individual Taxpayer	3,354,800	0.89%		Individual Taxpayer	1,764,800	0.59%	
Individual Taxpayer	2,713,300	0.71%		Sprint	1,752,396	0.58%	
Turkey Farm Acquisition	2,587,400	0.68%		Group 206 North Associates	1,653,800	0.55%	
Group 206 North Associates	2,434,100	0.64%		Peapack Gladstone Bank	1,583,000	0.53%	
Total	\$ 96,930,600	25.52%		Total	\$ 53,580,496	17.88%	

Source: Municipal Tax Assessor

CHESTER TOWNSHIP:

Fiscal Year Ended June 30,	2011			Fiscal Year Ended June 30,	2002		
	Taxable Assessed Value	% of Total District Net Assessed Value			Taxable Assessed Value	% of Total District Net Assessed Value	
Welkind c/o Select Medical Corp	\$ 6,476,600	0.35%		Bell Communications	\$ 4,233,000	0.46%	
Aresty, David R	4,883,200	0.27%		Welkind Rehabilitation	3,259,900	0.35%	
Giardina, Salvatore and Diane	3,732,500	0.20%		CVC Chester, LLC	2,399,800	0.26%	
Weisman, Howard/Foss, Pamela	3,485,100	0.19%		The Devereux School	1,463,000	0.16%	
Geller, Shari Lynn B	3,213,600	0.17%		Individual Taxpayer	1,889,000	0.20%	
Golden, Michael F/Mary	3,008,300	0.16%		Individual Taxpayer	1,727,100	0.19%	
CVO Chester LLC	2,988,000	0.16%		Individual Taxpayer	1,700,500	0.18%	
Michaels, Paul S /Trustee	2,739,200	0.15%		415 Route 24, Inc.	1,400,000	0.15%	
Laroia, Rajiv	2,732,100	0.15%		Individual Taxpayer	1,318,700	0.14%	
Katz, Hildegard Gruenbaum Trustee	2,621,700	0.14%		Individual Taxpayer	1,293,600	0.14%	
Total	\$ 35,880,300	1.95%		Total	\$ 20,684,600	2.23%	

Source: Municipal Tax Assessor

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

CHESTER BOROUGH:

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2002	6,273,455	6,092,024	97.10%	6,092,024	97.10%
2003	6,406,117	6,193,002	96.67%	6,193,002	96.67%
2004	6,796,586	6,684,442	98.34%	6,684,442	98.34%
2005	7,226,301	7,093,494	98.16%	7,093,494	98.16%
2006	7,809,480	7,710,895	98.73%	7,710,895	98.73%
2007	8,384,373	8,204,445	97.85%	8,204,445	97.85%
2008	8,634,695	8,495,623	98.38%	8,495,623	98.38%
2009	9,031,469	8,796,034	97.39%	8,796,034	97.39%
2010	9,211,327	8,979,113	97.47%	8,979,113	97.47%
2011	N/A	N/A	N/A	N/A	N/A

Source: Municipal Tax Collector

CHESTER TOWNSHIP:

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2002	24,854,854	24,388,289	98.12%	24,388,289	98.12%
2003	26,936,399	26,552,894	98.57%	26,552,894	98.57%
2004	28,250,403	27,880,323	98.69%	27,880,323	98.69%
2005	30,987,760	30,713,202	99.11%	30,713,202	99.11%
2006	34,272,182	33,804,296	98.63%	33,804,296	98.63%
2007	36,250,282	35,640,568	98.31%	35,640,568	98.31%
2008	37,797,154	37,124,759	98.22%	37,124,759	98.22%
2009	38,460,519	37,308,895	97.00%	37,308,895	97.00%
2010	39,207,373	38,485,282	98.15%	38,485,282	98.15%
2011	40,253,568	39,300,927	97.63%	39,300,927	97.63%

Source: Municipal Tax Collector

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited**

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases			
2003	7,250,000	491,903	7,741,903	10.11%	838
2004	6,900,000	404,124	7,304,124	9.26%	785
2005	23,720,000	263,186	23,983,186	29.64%	2,567
2006	23,160,000	1,349,473	24,509,473	29.68%	2,634
2007	22,590,000	1,183,553	23,773,553	28.12%	2,564
2008	22,000,000	771,152	22,771,152	25.60%	2,442
2009	21,390,000	559,180	21,949,180	23.85%	2,437
2010	20,760,000	177,247	20,937,247	22.16%	2,311
2011	20,115,000	59,830	20,174,830	20.64%	2,194
2012	19,445,000	130,000	19,575,000	24.30%	2,114

Source: District Records

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited**

General Bonded Debt Outstanding

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2003	7,250,000	7,250,000	0.58%	4,402
2004	6,900,000	6,900,000	0.54%	4,192
2005	23,720,000	23,720,000	1.75%	14,463
2006	23,160,000	23,160,000	0.86%	14,252
2007	22,590,000	22,590,000	0.83%	13,988
2008	22,000,000	22,000,000	0.81%	13,333
2009	21,390,000	21,390,000	0.79%	12,909
2010	20,760,000	20,760,000	0.77%	12,567
2011	20,115,000	20,115,000	0.90%	12,125
2012	19,445,000	19,445,000	0.88%	11,721

Source: District Records

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2011
Unaudited**

Net Direct Debt of School District as of December 31, 2011	\$ 19,445,000
Net Overlapping Debt of School District:	
Borough of Chester (100%)	\$ 4,352,853
Township of Chester (100%)	11,433,942
County of Morris - Borough's share (.50%)	1,346,236
County of Morris - Township's share (2.43%)	<u>6,542,705</u>
Total Direct and Overlapping Debt as of December 31, 2011	<u>23,675,736</u> <u>\$ 43,120,736</u>

Source: Borough of Chester's and Township of Chester's Chief Financial Officers and Morris County Treasurer's Office.

Note: The method used to estimate the applicable percentage of overlapping debt was to divide the value of the revenue base within the overlapping geographic area by the total revenue base of the overlapping government, and multiply this ratio by the overlapping government's outstanding debt.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Combined: Chester Borough
Chester Township

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2009	2,614,098,740
2010	2,502,249,508
2011	2,419,872,654
	<u>\$ 7,536,220,902</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,512,073,634</u>
Debt Limit (3% of Average Equalization Value)	75,362,209
Total Net Debt Applicable to Limit	19,445,000
Legal Debt Margin	<u>\$ 55,917,209</u>

	Fiscal Year			
	2008	2009	2010	2011
Debt Limit	\$ 91,114,027	\$ 86,418,324	\$ 89,625,350	\$ 87,903,629
Total Net Debt Applicable to Limit	22,000,000	21,390,000	20,760,000	20,115,000
Legal Debt Margin	<u>\$ 69,114,027</u>	<u>\$ 65,028,324</u>	<u>\$ 68,865,350</u>	<u>\$ 67,788,629</u>
Total Net Debt Applicable To The Limit As A Percentage Of Debt Limit	24.15%	24.75%	23.16%	22.88%
				25.80%

	Fiscal Year			
	2003	2004	2005	2006
Debt Limit	\$ 44,200,945	\$ 48,946,827	\$ 54,090,029	\$ 75,164,393
Total Net Debt Applicable to Limit	7,250,000	6,755,000	23,720,000	23,160,000
Legal Debt Margin	<u>\$ 36,950,945</u>	<u>\$ 42,191,827</u>	<u>\$ 30,370,029</u>	<u>\$ 52,004,393</u>
Total Net Debt Applicable To The Limit As A Percentage Of Debt Limit	16.40%	13.80%	43.85%	30.81%
				38.19%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,
Department of Treasury, Division of Taxation

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

CHESTER BOROUGH:

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Capita Personal Income</u>	<u>Unemployment Rate</u>	
2003	1,647	76,603,340	46,511	3.60%	
2004	1,646	78,853,534	47,906	2.80%	
2005	1,640	80,923,080	49,343	4.10%	
2006	1,625	82,588,418	50,824	4.20%	
2007	1,615	84,542,587	52,348	2.30%	
2008	1,650	88,966,023	53,919	5.10%	
2009	1,657	92,023,758	55,536	8.60%	
2010	1,652	94,498,459	57,202	8.70%	
2011	1,659	97,745,842	58,919	8.40%	
2012	1,659 Est.	80,569,335	48,565	8.40%	Est.

CHESTER TOWNSHIP:

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	
2003	7,594	459,328,540	60,486	3.50%	
2004	7,653	476,784,113	62,300	2.80%	
2005	7,704	494,360,271	64,169	1.90%	
2006	7,680	507,604,814	66,094	1.40%	
2007	7,657	521,267,182	68,077	1.30%	
2008	7,675	538,167,349	70,120	2.80%	
2009	7,686	555,106,824	72,223	4.90%	
2010	7,844	583,513,617	74,390	4.90%	
2011	7,883	604,007,264	76,621	4.80%	
2012	7,883 Est.	613,194,921	77,787	4.80%	Est.

Sources:

Population information provided by the NJ Dept of Labor and Workforce Development.

Personal income has been estimated based upon the municipal population and per capita personal income presented.

Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

Unemployment data provided by the NJ Dept of Labor and Workforce Development

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

Principal Employers
Current Year and Nine Years Ago
Unaudited

CHESTER BOROUGH AND TOWNSHIP (COMBINED)

	2011		2002	
	Employees	Percentage of Total Municipal Employment	Employees	Rank [Optional]
Shop Rite Supermarket	300	6.57%		
New Jersey Quarter Horse Assn.	300	6.57%		
West Morris Central High School	130	2.85%		
Glenora Nursing Home	93	2.04%		
Weichert Realtors	90	1.97%		
United Cerebral Palsy	85	1.86%		
Chester Volunteer Fire Co.	65	1.42%		
Coldwell Banker	60	1.31%		
D & C Electrical Contractors	60	1.31%		
Alstede Farms	55	1.21%		
Bragg School	55	1.21%		
Peapack-Gladstone Bank	55	1.21%		
Black River Middle School	50	1.10%		
Harrington Construction	50	1.10%		
Dickerson School	45	0.99%		
Frank Anthony Hair & Skincare	45	0.99%		
Mazey Reed & Brey Insurance	40	0.88%		
Redwoods Caterers	40	0.88%		
Publick House Restaurant	35	0.77%		
Pleasant Pools Inc	35	0.77%		
Andrew E. Hall & Son, Inc.	30	0.66%		
Staples	30	0.66%		
Suburban Hills School	30	0.66%		
	1778	38.96%	0	0.00%

INFORMATION FROM NINE YEARS AGO
NOT AVAILABLE FOR THIS DISTRICT

Source: Reference USA

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited**

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular				100	99.8	100.2	104	101.9	95.5	80.4
Special Education				20	18	17.2	19.2	20.2	18.5	36.5
Other Instruction				9	8.2	8.6	9.3	9.9	9.3	7.0
Support Services:										
Student and Instruction Related Services				29	29	25	24.9	25.5	19.2	21.1
School Administrative Services				12	12	10	10.6	10.6	10.6	9.2
General and Business Administrative Services				9.4	9.7	9	9	9.5	7.2	5.1
Plant Operations and Maintenance				15	15	13.4	16	15.5	14.5	16.3
Pupil Transportation				6	5.8	7.6	7.2	6.0	5.7	7.2
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>200</u>	<u>198</u>	<u>191</u>	<u>200.2</u>	<u>199.1</u>	<u>180.5</u>	<u>182.8</u>

Source: District Personnel Records

Note: 10 years of data will eventually be presented.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2003	1,241	15,037,800	12,117	10.67%	124	1:10.5	1:9.8	1241.0	1,182.0	1.22%	95.25%
2004	1,302	16,330,665	12,543	3.51%	125	1:10.7	1:9.89	1286.0	1,231.0	3.63%	95.72%
2005	1,355	16,951,641	12,510	-0.26%	128	1:11.2	1:9.8	1347.0	1,285.0	4.74%	95.40%
2006	1,399	18,825,521	13,456	7.56%	121	1:11.8	1:9.67	1375.9	1,311.5	2.15%	95.32%
2007	1,408	21,029,518	14,936	10.99%	126	1:23	1:24	1392.3	1,329.3	1.19%	95.48%
2008	1,431	20,950,557	14,641	-1.98%	129	1:23	1:24	1430.0	1,393.0	2.71%	97.41%
2009	1,442	21,594,534	14,975	2.29%	133	1:21	1:21	1425.0	1,362.8	-0.35%	95.64%
2010	1,378	22,341,532	16,213	8.26%	132	1:19.5	1:20.75	1378.8	1,327.3	-3.24%	96.26%
2011	1,353	20,612,569	15,235	-6.03%	132	1:22	1:23	1351.6	1,303.5	-1.97%	96.44%
2012	1,304	20,805,221	15,955	4.73%	132	1:18.2	1:21.7	1301.8	1,260.5	-3.68%	96.83%

Source: District records

Note: Enrollment based on annual October district count.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**School Building Information
Last Ten Fiscal Years
Unaudited**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
<u>Elementary</u>										
Bragg (1966)										
Square Feet				48,699	49,100	58,082	58,082	58,082	58,082	58,082
Capacity (students)				396	396	396	396	396	396	396
Enrollment				470	471	497	507	467	456	449
Dickerson (1962)										
Square Feet				39,075	38,990	59,105	59,105	59,105	59,105	59,105
Capacity (students)				415	415	415	415	415	415	415
Enrollment				469	447	438	414	413	371	327
<u>Middle School</u>										
Black River Middle School (1972)										
Square Feet				58,356	58,356	73,191	73,191	73,191	73,191	73,191
Capacity (students)				377	497	497	497	497	497	497
Enrollment				445	490	496	504	498	520	528

Number of Schools at June 30, 2007

Elementary = 2

Middle School = 1

Senior High School = 0

Other = 0

Source: District Facilities Office

Note: 10 years of data will eventually be presented.

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**GENERAL FUND
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited**

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx**

*School Facilities	Square Footage	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Black River Middle School	73,191	106,556	93,091	90,176	96,955	\$60,063	\$45,849	\$37,454	\$39,238	\$44,154	\$47,608
Bragg School	58,082	84,559	73,874	71,561	76,940	45,762	39,607	23,078	28,892	38,376	25,235
Dickerson School	59,105	86,048	75,175	72,821	78,296	37,182	29,694	37,499	23,547	31,685	24,305
Grand Total		277,163	242,140	234,558	252,191	143,007	115,150	98,031	91,677	114,215	97,148

*School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Insurance Schedule
As of June 30, 2012
Unaudited**

	<u>Coverage</u>	<u>Deductible</u>
<u>PROPERTY SECTION:</u>		
Blanket building and contents (Ratable limit)	\$ 500,000,000	\$ 5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers	10,000,000	5,000
Electronic data processing equipment	795,648	1,000
<u>LIABILITY SECTION:</u>		
Bodily Injury and Property Damage	16,000,000	5,000
Employee benefit liability	16,000,000	1,000
Terrorism	1,000,000	
<u>AUTOMOBILE:</u>		
Bodily Injury and Property Damage	16,000,000	1,000
Uninsured/Underinsured Motorists	1,000,000	1,000
<u>CRIME:</u>		
Faithful Performance Limit	100,000	500
Money and Securities Limit	25,000	500
Forgery	25,000	500
Computer Fraud	100,000	500
<u>SELECTIVE BONDS:</u>		
Business Administrator (7/1/11-7/3/12)	90,000	500
Treasurer (7/1/11-6/30/12)	225,000	1,000

Source: District records.

Single Audit Section



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

The Honorable President
Members of the Board of Education
Chester School District
County of Morris, New Jersey

We have audited the basic financial statements of the Chester School District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chester School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chester School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chester School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

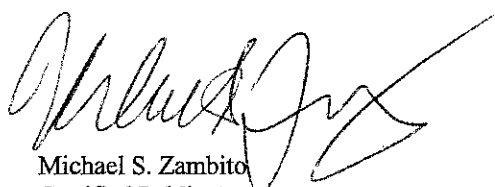
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chester School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Chester School District and the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 26, 2012



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President
Members of the Board of Education
Chester School District
County of Morris, New Jersey

Compliance

We have audited the compliance of the Chester School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2012. Chester School District's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Chester School District's management. Our responsibility is to express an opinion on Chester School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Chester School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Chester School District's compliance with those requirements.

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In our opinion, the Board of Education of the Chester School District, in the County of Morris, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2012.


Internal Control Over Compliance

The management of Chester School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Chester School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the Chester School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chester School District's internal control over compliance.

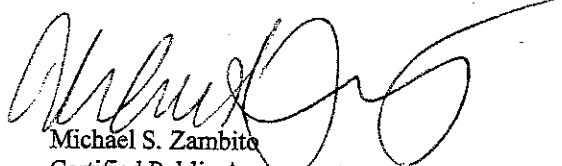
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Chester School District, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 26, 2012

Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2012

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Balance June 30, 2012	
							Disbursements	Accounts Payable	Encumbrances		Accounts Receivable	Deferred Revenue
84.410A	U.S. Department of Treasury: Education Jobs Act Total U.S. Department of Treasury	7/1/11-6/30/12	\$ 51,572	\$ -	\$ -	\$ 46,415	\$ 51,572	\$ -	\$ -	\$ -	\$ (5,157)	\$ -
						\$ 46,415	\$ 51,572	\$ -	\$ -	\$ -	\$ (5,157)	\$ -
10.550	U.S. Department of Agriculture Passed - Through State Department of Education:	7/1/11-6/30/12	\$ 18,232	\$ 4,794	\$ -	\$ 18,232	\$ 18,910	\$ -	\$ -	\$ -	\$ -	\$ 4,116
10.555	Food Distribution Program	7/1/11-6/30/12	44,365			41,211	44,365				(3,154)	
10.555	National School Lunch Program	7/1/10-6/30/11	46,905	(3,753)		3,753						
	Total U.S. Department of Agriculture			1,041		63,196	63,275				(3,154)	4,116
84.010A	U.S. Department of Education Passed - Through State Department of Education:	9/1/11-8/31/12	27,495			27,495	27,495				-	
84.010A	E.S.E.A. Title I	9/1/10-8/31/11	28,358	(13,238)		13,238					-	
84.367A	E.S.E.A. Title II A	9/1/11-8/31/12	22,178			9,265	22,178				(12,913)	
84.367A	E.S.E.A. Title II A	9/1/10-8/31/11	23,915	(8,076)		15,121	7,045				-	
84.367A	E.S.E.A. Title II D	9/1/10-8/31/11	36	(36)		36					-	
84.186A	E.S.E.A. Title II	9/1/10-8/31/11	17			17					-	
84.027A	I.D.E.A. Part B, Basic	9/1/11-8/31/12	328,616			220,412	322,851	847			-	
84.027A	I.D.E.A. Part B, Basic	9/1/10-8/31/11	367,396	(101,253)		109,195	27,422				(108,204)	4,918
84.027A	I.D.E.A. Part B, Basic	9/1/09-8/31/10	-	(21,676)		21,676					(23,625)	4,145
84.391	I.D.E.A. Part B, Basic-ARRA	9/1/09-8/31/11	391,309	(25,352)		25,716	364				-	
84.173A	I.D.E.A. Part B, Preschool	9/1/11-8/31/12	21,376			143	3,667				(21,233)	17,509
84.173A	I.D.E.A. Part B, Preschool	9/1/10-8/31/11	12,741			12,741	1,257				-	
84.392	I.D.E.A. Part B, Preschool - ARRA	9/1/09-8/31/11	14,160	-	-	3,359	3,359	-			-	
	Total U.S. Department of Education			(169,614)		458,397	415,855	847			(166,375)	26,572
	Total Federal Financial Assistance		\$ (168,573)	\$ -	\$ -	\$ 568,008	\$ 530,702	\$ 847	\$ 11,484	\$ 847	\$ (174,286)	\$ 30,688

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

**BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT**

**Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Balance June 30, 2012	
							Disbursements	Accounts Payable	Encumbrances		Accounts Receivable	Deferred Revenue
State Department of Education:												
General Funds:												
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	\$ 53,145		\$ -	\$ 47,831	\$ 53,145	\$ -	\$ 53,145	\$ -	\$ (5,314)	\$ -
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	822,275			746,631	822,275		822,275		(75,644)	
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	452,272	(23,003)		23,003						
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	286,753				286,753		286,753		(286,753)	
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	384,321	(384,321)		384,321						
Non-Public Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	22,143				22,143		22,143		(22,143)	
Non-Public Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	14,138	(14,138)		14,138						
TPAF Wage Freeze			385	(193)		193						
Anti-Bullying Aid		7/1/11-6/30/12	615			615			615		-	
Reimbursed TPAF Social Security Contribution	12-495-034-5095-002	7/1/11-6/30/12	617,913			566,272	617,913		617,913		(31,641)	
Reimbursed TPAF Social Security Contribution	11-495-034-5095-002	7/1/10-6/30/11	649,226	(32,995)		32,995						
On-Behalf TPAF Pension Contributions	12-495-034-5095-001	7/1/11-6/30/12	888,383		-	888,383	888,383		888,383		-	
Total General Funds				(454,650)	-	2,724,392	2,691,227		2,691,227		(421,495)	
Special Revenue Funds:												
New Jersey Nonpublic Aid	12-100-034-5120-064	7/1/11-6/30/12	20,384			20,384	20,384		20,384		-	
Textbook Aid												
Auxiliary Services:												
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	804				804		804		(804)	
Handicapped Services:												
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	14,972			14,972	6,441		6,441		-	8,531
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	16,742	641						641	-	
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	14,217			14,217	12,321		12,321		-	1,896
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	20,340	6,337						6,337	-	
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	3,718			3,718	2,986		2,986		-	732
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	6,671	1						1	-	
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	29,115		-	29,115	29,115		29,115		-	
Total Special Revenue Funds				6,979	-	82,406	72,051		72,051	6,979	(804)	11,159
Capital Project Funds:												
N.J. Economic Development Authority Grant	0820-040-04-OACI		2,522,133	(113,496)					-		(113,496)	
N.J. Economic Development Authority Grant	0820-020-04-OACH		1,331,992	(59,939)							(59,939)	
N.J. Economic Development Authority Grant	0820-030-04-OABA		1,864,887	(74,920)							(74,920)	
N.J. Economic Development Authority Grant	0820-020-05-OAZL		841,386	(161,596)							(161,596)	
N.J. Economic Development Authority Grant	0820-030-05-OAZM		662,536	(127,312)							(127,312)	
N.J. Economic Development Authority Grant	0820-040-05-OAZN		106,786	(20,510)							(20,510)	
Total Capital Project Funds				(567,775)		-	-		-		(567,775)	
Enterprise Funds:												
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	3,500	(346)	(205)	3,256	3,500		3,500		(244)	
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	3,864	(346)	(205)	3,807	3,500		3,500		(244)	
Total All Funds				\$ (1,005,792)	\$ (205)	\$ 2,810,595	\$ 2,766,776	\$ -	\$ 2,766,776	\$ 6,979	\$ (980,318)	\$ 11,159

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Chester School District Board of Education. The Board of Education is defined in Note I.B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent year due to the state deferral and recording of one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes one or more June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(57,955) for the general fund and \$(3,947) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 51,572	\$2,633,272	\$2,684,844
Special Revenue Fund	427,340	72,051	499,391
Food Service Fund	<u>63,275</u>	<u>3,500</u>	<u>66,775</u>
Total Awards and Financial Assistance	<u>\$542,187</u>	<u>\$2,708,823</u>	<u>\$3,251,010</u>

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part I – Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued Unqualified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified
that were not considered to be material
weaknesses? _____yes X no
- C) Noncompliance material to basic
financial statements noted? _____yes X no

Federal Awards Section

- D) Dollar threshold used to determine Type A
Programs \$300,000
- E) Auditee qualified as low-risk auditee? X yes no n/a
- F) Type of auditor's report on compliance for
major programs. Unqualified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified
that were not considered to be
material weaknesses? _____yes X no
- H) Any audit findings disclosed that are required
to be reported in accordance with OMB
Circular A-133 (section .510(a))? _____yes X no

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	<u>I.D.E.A. Cluster:</u>
<u>84.027A</u>	<u>I.D.E.A. Part B, Basic</u>
<u>84.391A</u>	<u>ARRA-I.D.E.A. Part B, Basic</u>
<u>84.173A</u>	<u>I.D.E.A. Part B, Preschool</u>
<u>84.392A</u>	<u>ARRA-I.D.E.A. Part B, Preschool</u>

State Financial Assistance Section

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs
(Continued)

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2012

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

Not Applicable